United Bank for Africa (UK) Limited

Annual Report and Accounts

December 2020

31st December 2020

Classification: External

Company Registration number 03104974

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Kennedy Uzoka
Alex Romer-Lee
John Coulter
Uche Ike
Daniel Marx
Chiugo Ndubisi (appointed 23 July 2020)
Ian Greenstreet (appointed 5 August 2020)
Alex Trotter (appointed 6 August 2020)

Company secretary
Ololade Adekunle-Sanusi (appointed 6 November 2020)

Registered office
36 Queen Street
London
EC4R 1BN

Bankers
Standard Chartered Bank
Citibank

Solicitors
Bryan Cave Leighton Paisner LLP
Fox Williams LLP

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside
London SE1 2RT

Company registration number
03104974

Bank website
www.ubagroup.com/uk/

2. CORPORATE PROFILE

United Bank for Africa (UK) Limited ("UBA UK" or the "Bank") is a private company limited by shares which was incorporated in the United Kingdom in 1995, and is a wholly owned subsidiary of United Bank for Africa Plc ("UBA Plc" or the "parent bank"). UBA Capital (Europe) Limited was renamed to United Bank for Africa (UK) Limited on 19 March 2018 on becoming a UK wholesale deposit taking institution. It is authorised by the Prudential Regulatory Authority ("PRA") and regulated by both the PRA and the Financial Conduct Authority ("FCA"). UBA UK is mainly involved in financing trade flows between the UK and Africa by advising and confirming letters of credit, providing trade loans and foreign currency services.

Group Footprint

The UBA Group is a leading pan-African financial services group with a presence in 20 African countries, the United Kingdom, the United States of America and France.

Directors

High Chief Samuel Oni – Chairman and Non-Executive Director

High Chief Oni was appointed to the Board of UBA UK and became Chairman in August 2015. He was appointed to the Board of UBA Plc as an Independent Non-Executive Director in January 2015 following the mandatory three years cooling period after retiring as a Director from the Central Bank of Nigeria (CBN) in June 2011. Prior to this he performed different roles in the Banking Supervision Department between 1993 and 2011. High Chief Oni was appointed the Director of Bank Examination in 2004. In 2009 he became the Director of Banking Supervision and performed a leading role in the joint CBN / Nigerian Deposit Insurance Corporation (NDIC) special audits of Nigerian banks during the financial crisis in 2009/2010. He was the Chairman of the Committee set up by the CBN to supervise the establishment of the Asset Management Corporation of Nigeria (AMCON). He was appointed by the CBN as Non-Executive Director to represent its interests on the Board of Bank of Industry and the Nigeria Deposit Insurance Corporation (NDIC). He is a Chartered Accountant and a Fellow of both the Association of Chartered Certified Accountants, London and the Institute of Chartered Accountants of Nigeria. He holds an MBA (Finance) from the University of Ilorin, Nigeria.

Committees

Board of Directors (Chair)

Kennedy Uzoka – Non-Executive Director

Mr. Uzoka was appointed to the Board of UBA UK in October 2019. He is the Group Managing Director/CEO of UBA Plc.

He holds a BSc. in Mechanical Engineering from the University of Benin and an MBA from the University of Lagos. Kennedy has over two decades of experience covering Core Banking, Corporate Marketing Communications, Strategy, and Business Advisory Services. Kennedy is an alumnus of Harvard Business School (AMP) in Boston USA, the International Institute of Management Development (IMS) in Lausanne, Switzerland and the London Business School, United Kingdom.

Committees

Board of Directors
Board Strategy and Finance Committee (Chair)
Board Audit, Risk and Compliance Committee
Board Nominations and Governance Committee

Alex Romer-Lee – Independent Non-Executive Director

Mr. Romer-Lee was appointed to the Board of UBA UK in August 2015. He is the Non-Executive Chairman of BCS Prime Brokerage Ltd, a leading financial services group providing trading solutions for emerging markets. Previously he was Senior Non-Executive Director of FCE Bank Plc (Ford Credit). Mr. Romer-Lee is a Chartered Accountant (ACA 1980, FCA 1990) and was previously a Partner with PricewaterhouseCoopers (previously Coopers & Lybrand and Deloitte Haskins & Sells) where he was in the Banking Division, and Financial Services Leader for Central and Eastern Europe. He holds a Diplome Universitaire de Technologie, Gestion et Administration des Entreprises, Dijon.

Committees

Board of Directors
Board Audit, Risk and Compliance Committee (Chair)
Board Nominations and Governance Committee

Attendee

Board Strategy and Finance Committee

John Coulter – Independent Non-Executive Director

Mr. Coulter was appointed to the Board of UBA UK in August 2017. He is an experienced banker having spent most of his career with JP Morgan, and was Regional Head and CEO for Sub Saharan Africa, as well as holding directorships and senior positions in a number of their African entities. Mr Coulter was Chairman of the Foreign Bankers Association of South Africa and a Director of the South African Banking Council.
Mr Coulter has also held senior positions with Brait SA as Group CEO, Ndola Capital and Morgan Stanley as CEO Sub Sahara Africa. Mr Coulter is an alumnus of Trinity College Dublin, BA(Law) and University College Dublin, MBS (Masters in Business Studies).

Committees

Board of Directors
Board Nominations and Governance Committee (Chair)
Board Audit, Risk and Compliance Committee

Attendee

Board Strategy and Finance Committee

Uche Ike – Non-Executive Director

Mr. Ike is a Non-Executive director of UBA UK appointed on 8th October 2019. He holds a BSc degree in Accountancy and a Master of Business Administration. He is an Associate member of the Institute of Chartered Accountants of Nigeria (ICAN). He has over two decades of banking experience spanning Operations, Internal Audit, Enterprise Risk Management, Fraud Management, and Regulatory Compliance. At UBA Plc, Mr. Ike is currently the Executive Director, Risk Management, Governance and Compliance and is responsible for coordinating the risk management activities of the Bank. Prior to this role he was the General Manager of UBA New York Branch.

Committees

Board of Directors
Board Strategy and Finance Committee
Board Audit, Risk and Compliance Committee
Board Nominations and Governance Committee

United Bank for Africa (UK) Limited

Daniel Marx – Executive Director, Risk Management and Compliance

Mr. Marx joined UBA UK in October 2016 and was appointed as a Director on 5 March 2020. He has more than 30 years of banking experience, with extensive exposure to emerging markets. He is an experienced banker who has held various senior positions in smaller foreign owned banks in the United Kingdom. Daniel performed the role of interim CEO between October 2018 and January 2019 as well as from December 2020. Daniel holds an honours degree in Economics.

Committees

Board of Directors
Board Strategy and Finance Committee
EXCO
ALCO (Chair)
Risk Committee (Chair)
New Products and Activities Committee (Chair)
Compliance Conduct and Audit Committee

Attendee

Board Audit, Risk and Compliance Committee

Chiugo Ndubisi – Non-Executive Director

Mr Ndubisi holds a first-class honours degree in Engineering from the University of Nigeria Nsukka, and a Master of Business Administration degree from the University of Lagos. A fellow of the Institute of Chartered Accountants of Nigeria (ICAN), Chartered Institute of Bankers of Nigeria (CIBN) and Chartered Institute of Taxation of Nigeria (CITN), his career spans over 20 years in the Banking industry.

Prior to UBA, Mr Ndubisi was an Executive Director and Chief Financial Officer of Diamond Bank Plc, a position he held until the merger of Diamond Bank and Access Bank in April 2019. In the course of his career, he has served as a member of the Board of Trustees, Central Bank of Nigeria (CBN) Banking Industry Resolution Trust fund, as well as a member of the Audit Committee of the Nigeria Interbank Settlement Systems (NIBSS).

Committees

Board of Directors
Board Nominations and Governance Committee
Board Strategy and Finance Committee

Attendee

Board Audit, Risk and Compliance Committee

Ian Greenstreet – Independent Non-Executive Director

Mr Greenstreet has served on public and private corporate boards for the past 14 years including on several financial institutions. His roles have included being a representative of the FMO (the Dutch Development Bank) on the board of Bank of Africa and Alios Capital, serving as a Director for Diamond Bank in Nigeria, and serving as a representative of the IFC on the board of Assupol Life insurance in South Africa. Mr Greenstreet brings diverse management and board experience in banking, finance, risk, managerial and financial technology together with a global network.

He currently sits on the advisory committee of the London Stock Exchange, on the board of Net1 UEPS a Fintech company in South Africa and is the Chair and Founder of Infinity Capital Partners Ltd in the UK. He previously served as regional Head of Risk for ABN AMRO Bank and a board member and Head of Henderson Fund Management in Luxembourg.

Mr Greenstreet has attended a program at Harvard Business School on driving Digital and Social Strategy and is a fellow of the Institute of Chartered Accountants in England and Wales (FCA).

Committees

Board of Directors
Board Audit, Risk and Compliance Committee
Board Nominations and Governance Committee

Attendee

Board Strategy and Finance Committee

Alex Trotter – Non-Executive Director

Mr Trotter has significant experience in managing, investing and advising African public and private companies. He was a portfolio manager for over ten years investing in frontier African equities, with a demonstrable track record of strong performance. He is a trustee of the Tony Elumelu Foundation, Africa's leading supporter of entrepreneurship. He has a background in investment management, strategy, and corporate finance, and has held positions with UBS and GAM. He began his career at Linklaters, as a corporate lawyer.
Mr Trotter holds degrees from Oxford University and Imperial College.

Committees

Board of Directors
Board Nominations and Governance Committee
Board Strategy and Finance Committee

Attendee

Board Audit, Risk and Compliance Committee

Other Directors of the Bank that held office during the year:

- Adeleke Adeyemi (Resigned as a Director on 20 January 2020)
- Clive Carpenter (Resigned as a Director on 29 May 2020)
- Patrick Gutmann (Resigned as a Director on 30 November 2020)
- Rose Okwechime (Resigned as a Director on 8 July 2020)

Funmi Dele-Giwa resigned as Company Secretary on 30 September 2020.

Management Team

Ololade Adekunle-Sanusi – Head of Legal and Company Secretary

Ololade joined the Bank in October 2020. She is a dual qualified lawyer and holds an LLM in Corporate & Commercial Law from the University of London. Her professional experience spans over 17 years and include Legal Advisory, Corporate Governance and Corporate Secretarial practice.

Ololade is a member of the Nigerian Bar Association, UK Law Society and the Institute of Chartered Secretaries & Administrators (ICSA) UK. In addition to holding responsibility for legal matters, Ololade is the Secretary to the Board of Directors and its committees.

Committees

OpCo
Compliance Conduct and Audit Committee

Attendee

Board of Directors
Board Strategy and Finance Committee
Board Nominations and Governance Committee
Board Audit, Risk and Compliance Committee

Alan Clark – Chief Operating Officer

Alan has 17 years in financial services with a background in governance, control and internal audit. More recently he has held two Head of Internal Audit positions for small foreign banks. Prior to moving to the banking sector, he managed IT security and law enforcement activities for a central government department. Alan holds a PG Dip in Internal Audit and Management and is currently the Chief Operating Officer for UBA UK.

Committees

EXCO
Operations Committee (Chair)
Risk Committee
Compliance Conduct and Audit Committee
New Products and Activities Committee

Attendee

Board Strategy and Finance Committee
Board Audit, Risk and Compliance Committee

Gillian Heggs – Head of Human Resources

Gillian joined the Bank in late 2018 as the Head of Human Resources and has over 20 years HR experience. Most recently she was a member of the senior team at Diamond Bank (UK) and prior to that spent 7 years at C. Hoare & Co. Gillian is a graduate from Strathclyde University and is a Chartered Fellow of the Chartered Institute of Personnel and Development.

Committees

EXCO
Operations Committee

Attendee

Board Nominations and Governance Committee

Theresa Henshaw – Head of Business Development

Theresa joined UBA UK in November 2020 as Head of Business Development from Crown Agents Bank UK, where she led the Global Markets Sales desk and Africa team. Prior to joining Crown Agents Bank, she spent 14 years at Habib Bank UK as Head of Treasury with executive oversight and responsibility for all Treasury activities in the UK, Switzerland, and Netherlands. Theresa is a specialist in Business Development, ALM, FX, Liquidity and Cash Management and Fixed Income. She is an alumnus of CASS Business School having studied MSc Finance & Investment; and runs a Mentor club for young, female professionals/entrepreneurs in the UK.

Committees

EXCO
ALCO
Risk Committee
New Products and Activities Committee

Attendee

Board Strategy and Finance Committee

David Simpson – Interim Chief Financial Officer

David took over as Interim CFO in December 2020. He is a fellow of the Institute of Chartered Accountants in England and Wales (FCA) with extensive experience in the financial services sector. David has worked in a variety of roles spanning finance, risk management and audit during the last 25 years and has an honours degree in Economics from the University of Manchester.

Committees

EXCO
ALCO
Risk Committee
New Products and Activities Committee

Attendee

Board Audit Risk and Compliance Committee
Board Finance and Strategy Committee

3. CHAIRMAN'S STATEMENT

UBA UK plays an important role in delivering UBA Group's ambition of being Africa's Global Bank

2020 was a year dominated by extraordinary events. The global Covid-19 pandemic caused widespread disruption, the impact of which was felt across many industry sectors, ranging from travel to retail and hospitality. The banking industry was not immune to this and UBA UK, not dissimilar to many other organisations, was impacted by the pandemic. Business flows were curtailed as the global supply chain and our clients' businesses were disrupted by the various lockdown measures taken by Governments from around the world. The subsequent economic deterioration was and continues to be felt globally, including in our shareholder home market which was materially impacted by the sharp decline in the oil price. Despite all the challenges faced by the Bank, I am proud to report that the Bank's operations continued uninterrupted and without any significant negative effect on the Bank's ability to support the needs of all its stakeholders throughout the pandemic.

Notwithstanding the headwinds, 2020 provided UBA UK with the opportunity to expand and strengthen its platform. The Bank grew its client base by onboarding various high-profile financial institutions and multilaterals and donor organisations. It enhanced its technology and operational environment by implementing several new systems and strengthened its cybersecurity capabilities. New highly qualified staff members joined in key positions during the year.

UBA UK continues to play an important role in delivering the UBA Group's ambition of being Africa's Global Bank. The UBA Group is a leading pan-African financial institution with a presence in 23 countries. By leveraging its large pan-African footprint across 20 sub-Saharan African markets and its international presence in the US, France and the UK, it is clearly well positioned to support its clients globally. UBA UK is of particular strategic importance to the Group in achieving these aspirations. It is ideally situated in London to support African corporates, commodity traders and institutions looking for an international bank to support their trade and investment flows. The Bank is also very well positioned to support multilateral and donor organisations, corporates, commodity traders and institutions looking for a partner who not only offers superb execution capabilities, but also who understands the African continent.

The Board recognises that the loss of US$3.8m realised in 2020 is undesirable, and as a result has revisited the Bank's strategy and risk appetite for market risk. Steps are being taken to desensitise future financial performance from market dislocations. Implementation of the revised strategy which is focused on sustainable and recurring revenue is well underway and runs concurrent with the exit of loss-making legacy investments.

The Bank's Executive Management team and Board of Directors remain fully committed to building a strong and sustainable banking subsidiary in London, and despite the challenges brought on by the 2020 global situation, the commitment towards UBA UK by the staff, Executive Team, Board of Directors and the shareholder remains steadfast.

I would like to thank our shareholder for their enduring support, and the Board of Directors for their diligence and for guiding the Bank throughout the year. I would also like to thank the Executive Management and staff of UBA UK, who have dedicated significant time and effort to ensure our customers have access to world class products and services, during what has been a very difficult and challenging year.

Lastly, and arguably most importantly, I would like to take this opportunity to thank our customers for entrusting their business to UBA UK throughout 2020.

Samy

High Chief Samuel Oni
Chairman and Non-Executive Director

4. STRATEGIC REPORT

Despite the very difficult global environment, the Bank continued to advance its strategic plan and grow its client base

2020 has been a year undoubtedly dominated by the Covid-19 global pandemic and the subsequent economic fallout across the globe. A number of key markets within which the Bank operates were especially hard hit as a result of the economic slowdown in 2020, most notable of these markets is Nigeria, the Bank's shareholder home market. In Q4 2020, Nigeria, Africa's largest market, fell into its second recession in 5 years. The Covid-19 global pandemic and the resulting reduction in the oil prices, which severely reduced the country's foreign currency earnings is likely to continue to adversely impact the country's economic wellbeing for the foreseeable future.

Despite the very difficult global and local environment, which undoubtedly had a negative impact on the Bank's performance, the Bank managed to successfully navigate the difficulties imposed by the various lockdowns and economic woes associated with the pandemic, without any significant negative effect on the Bank's operations or clients. Furthermore, the Bank continued to advance its strategic plan and continued to grow its financial institution client base and successfully built up a strong proposition for its Embassies, Multilaterals & Development Organisations ("EMDO") client base.

Strategic Intent

UBA UK's strategic intent is to be the conduit for international business to and from Africa. Located in the heart of the world's premier financial centre, UBA UK is ideally placed to support the UBA Group's ambition of being Africa's Global Bank, by providing the Group and its customers access to the sophisticated financial markets and services in London. Beyond the Group, UBA UK facilitates trade, investment and aid flows to and from Africa.

UBA UK is well positioned to be the preferred bank for:

- UBA Group entities looking for access to the international financial markets or looking to extend international banking services to their wholesale customer base.
- African corporations and institutions looking to expand globally to access new customers, partners and capital markets.
- International corporations and institutions operating in Africa or seeking partners on the continent.

- African banks and financial institutions operating in our target markets and looking for an international bank to support their trade and treasury activities.
- Trade beneficiaries, exporters and commodity trading houses transacting into our target African countries.
- Global investors seeking exposure to African financial and capital markets, as well as African institutions and investors seeking access to the international financial markets.
- Multilaterals and Development Organisations operating globally and in Africa looking for a trusted and leading pan-African Bank for all their banking requirements on the African continent.

We believe that UBA UK is a complementary part of the UBA Group and plays an important role in the delivery of the overall UBA strategy and client value proposition. As such, we place great importance on the cooperation and alignment with the Group in a bid to maximize the overall value to the Group.

Building & Maintaining Growth

2020 was originally intended to be a year of significant growth for the Bank. However, the Covid-19 global pandemic meant a shift in focus to safeguard the existing business of the Bank whilst ensuring that the Bank remains well positioned to take advantage of the eventual end of the pandemic. The Bank continued to investment in its business model and platform across the three pillars of people, systems, and processes.

People

UBA UK continues to regard the well-being of its staff as of paramount importance. It invested extensively in various tools and equipment to make the remote working environment more productive and effective. Careful consideration is given to a healthy work life balance and staff are often reminded of the importance of this through various initiatives.

Notwithstanding global economic events, the Bank continued to invest in expanding and broadening its employee base and hired some talented people to supplement an already high-calibre team. Much of the focus was on growing the front office and the Bank onboarded several high-calibre bankers in 2020.

Systems

The Bank continued to invest in various aspects of its technology environment to ensure that its systems can support the growth and provide a compelling service delivery to the Bank's clients. It is also worthwhile noting that the Bank has been awarded the ISO27001 accreditation, which is evidence of the work the Bank has done in its technology area, particularly related to its approach and framework around information management security.

In addition, the Bank has a robust and well tested business continuity plan which provides a framework to ensure that systems and day-to-day operations remain fully operative in the face of any potential threat to the Bank.

Processes

Throughout the year, a wholesale review of the Bank's policies and procedures was conducted with the explicit aim to ensure that the Bank's governance framework is current and remain robust and strong and is aligned to the Bank's strategic plan and its growth ambitions.

2020 Business Review

As noted above, the advent of the Covid-19 global pandemic meant that much of the year was focused on safeguarding existing business amidst an anaemic economic environment. Total assets increased 11% year on year from US$222m in 2019 to US$247m in 2020 and operating income decreased by 35% from US$9.316m in 2019 to US$6.058m in 2020. Despite this, the Bank continued to invest in building-up the business development and client facing teams to allow it to broaden the client base as well as looking to enhance the suite of products and service delivery.

In Q4 2020 the Board undertook a comprehensive review of the Bank's strategy and realigned its risk appetite, with the main objective to focus on sustainable and recurring revenue. The revised strategic intent was adopted with immediate effect and early signs are encouraging.

2020 Financial Performance

The Bank saw its operating income decline by 35% year-on-year, with net interest income decreasing by 29%, and non-interest income declining by 57%. The falls in both interest and non-interest income are as a result of the continuing impact of the low base rate environment and the continued effects of the Covid-19 pandemic.

US$'000	2020	2019
Operating income	6,058	9,316
Net interest income	5,164	7,235
Non-interest income	894	2,081
Total Costs	9,868	8,734
(Loss)/profit before tax	(3,810)	582
Equity	41,208	45,246
Total assets	247,143	221,582
Return on total assets	-1.54%	0.26%
Capital adequacy ratio	60%	56%
Liquidity coverage ratio	413%	499%

Throughout the year the Bank continued to invest in its workforce and its technology environment which, coupled with the impact of foreign exchange losses, meant that the Bank's operating expenses increased year on year by 13%. The full effects of the anaemic economic environment and the increase in operating expenses meant that that the Bank generated a Loss before Tax of US$3.810m as compared to a Profit before Tax of US$0.6m in 2019.

The Bank ended the year with total assets of US$247m. The asset base increased by nearly 12%, whilst its liability base increased by nearly 17% as compared to the 2019 year-end position.

Regulatory capital and liquidity levels throughout the year were well in excess of own internal risk tolerances and regulatory minima.

Asset Quality

Trade loans to Group companies and selected Emerging Market financial institutions are predominantly cash collateralised. High-quality liquid assets comprise of US Treasuries and securities issued by qualifying Multilateral Development Banks, while overnight balances are maintained with investment grade rated international financial institutions.

Bond investments consists of Eurobonds issued by Sub Saharan financial institutions and investments in Nigerian Treasury Bills (NTB). Historically UBA UK invested in NTB carry trades in an aggregate amount totalling US$40m, against which it held qualifying credit mitigation raised from UBA subsidiaries totalling US$30m. Prior to the current economic woes experienced by Nigeria, these trades earned the Bank between 12% and 15%. Equally, should it have elected to do so, repatriating the maturity proceeds in USD was seamless. Prevailing dislocations in the Nigerian market, and the significant increase in the cost of hedging, has caused the Bank to revisit its appetite for these opportunistic investments resulting in the strategic decision to effect a managed and orderly exit from NTB investments, working with and assisted by UBA Plc. These legacy investments contributed significantly to the loss realised in 2020 and will likely cause a further drag on performance in 2021. The Board is satisfied that a realistic and achievable exit strategy has been agreed, with clear visibility on the downside implications, which has been fully allowed for in the Bank's 2021 Strategic Business Plan.

Off balance sheet trade finance assets comprise mainly the confirmation of trade finance obligations issued by UBA Plc and selected third party institutions and are once again predominantly cash collateralised.

The Bank reacted quickly and decisively to macro-economic events in 2020. As at the reporting date it had no overdue or in arrear exposures. All exposures are classified as Stage 1 for IFRS 9 purposes. Nevertheless, the Bank continues to adopt a cautious approach to the calculation of its expected credit loss under IFRS 9.

Shareholders equity, loans and cash collateral continued to provide the bulk of the Bank's funding.

High levels of liquidity and capital were maintained throughout the year, well in excess of internal and external requirements. Available liquidity comprised both overnight balances at well rated financial institutions and high-quality liquid assets.

Risk Management

A robust and effective risk management structure is considered an instrumental and crucial part of the Bank's ability to achieve its stated strategic objectives. Through its business dealings, the Bank is exposed to various risks, including credit, market, operational, cyber, financial crime, regulatory, reputational and conduct risk.

To monitor, manage, and mitigate these risks, the Bank has in place a robust and sound enterprise risk management framework, which is embedded and integrated across all aspects of the Bank's business model. The Directors Report includes discussion on both principal risks and uncertainties as well as the analysis on key financial indicators.

Summary and Future Prospects

Despite the challenges faced by the Bank in 2020, we believe the Bank has performed well and will come out of the downturn a stronger and more robust financial institution. The Bank continued to invest in its business model and platform across the three pillars of people, systems, and processes is designed to ensure it is well positioned to support customer needs as key economies begin to recover and drive future economic growth.

The Bank plays an integral part within the UBA Group and serves as the portal to the global markets for the Group and its clients. The UBA Group's presence in 20 African countries provides a lucrative network for UBA UK to tap into.

Section 172 (1) statement

Section 172 (1) of the Companies Act 2006 requires a Director of a company to act in a way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, Section 172 requires a Director to have regard (amongst other matters) to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

The Directors consider the factors listed above in discharging their duties and responsibilities under Section 172 and the Board is committed to effective engagement with all stakeholders. The Board undertakes regular training to understand key issues impacting its stakeholders and engages with them directly as appropriate. In addition, management deliver detailed reports to the Board quarterly, or more often if required, to support discussion and decision making for stakeholder issues.

The Directors are committed to positive outcomes for all stakeholders with the customer firmly at the centre of everything UBA UK does. Our ability to deliver excellence relies on our people working closely together on initiatives, projects and on the day to day activities of the Bank. All our energy is focused on our mission: to be a role model for African businesses by creating superior value for all our stakeholders, abiding by the utmost professional and ethical standards, and by building an enduring institution; and on our vision: to be the undisputed leading and dominant financial services institution in the UK working in Africa.

Customers

The Directors are committed to giving our customers the best possible customer experience and financial solutions. During the year, the Board received regular updates on key customer issues from business development reviews. Clients were also considered in the dedicated Board Strategy sessions held during the year. Through the annual approval and challenge of Bank's policies, the Board ensures that all our customer transactions are kept confidential and conducted within strict regulatory and statutory guidelines.

Employees

On a quarterly basis, the Board received updates and feedback concerning employee matters from the Board Nominations and Governance Committee. Metrics in relation to employees, the results of staff surveys and feedback from regular town hall meetings are communicated to the Board at least quarterly. The Executive Committee engage with their teams on a daily basis allowing them to develop an understanding of engagement levels and other matters of interest

Shareholder

UBA UK has 3 Shareholder-appointed representatives on the UBA UK board who attend all Board meetings and the Board Committees of which they are members. Attendance at these meetings gives the Shareholder the opportunity to ask questions and provide feedback to the UBA UK Board.

Regulators

The Board understands the requirement to be open and cooperative with the Financial Conduct Authority ("FCA"), the Prudential Regulation Authority ("PRA") and other regulators; to take reasonable steps to ensure that the business of the Bank complies with the relevant requirements and standards of the regulatory system and to disclose appropriately any information of which the FCA or PRA would reasonably expect notice. As a financial institution, the Board promotes integrity and protection to be core values in all our business practices.

From time to time the regulator corresponds with the Board, for example in the annual Periodic Summary Meeting (PSM) letter which is an opportunity for the Regulator to give feedback directly to the UBA UK Board. Executive Directors have regular interaction with the PRA and FCA regarding the day to day activities of the Bank. Other Board members attend meetings as and when required.

Suppliers

The Board recognises the key role our suppliers play in meeting the requirements of our customers and other stakeholders. The Board receives metrics in relation to payment practices.

Community and the environment

The Board ensures that the Bank's businesses and transactions are carried out in a sustainable way that protects the environment. The Board understands and assesses the financial risks from climate change and considers this as part of the Bank's overall business strategy. The Board has also allocated responsibility for identifying and managing financial risks from climate change to an Executive Director under the relevant Senior Management Function.

Daniel Marx
Mar 30, 2021 12:53 PM BST

Daniel Marx

Executive Director

Date: 30 March 2021

5. DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for United Bank for Africa (UK) Limited (or "UBA UK" or "the Bank"), for the year ended 31 December 2020.

Principal Activities

UBA UK is a wholesale deposit taking financial institution, authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA.

The Bank is a wholly owned subsidiary of United Bank for Africa Plc (or "UBA Plc"), a leading pan-African financial institution, headquartered in Lagos, Nigeria.

UBA UK generates revenues through the provisioning of financial services to international and sub-Saharan African banks, corporations, institutions and international organizations. The Bank predominantly offers services related to trade finance and treasury. It also extends other types of financing arrangements and services including corporate banking services and structured financing solutions.

UBA UK extends products and services to UBA Plc and other subsidiaries within the UBA Group, and continues to receive support, financial and otherwise, from the UBA Plc and the broader Group.

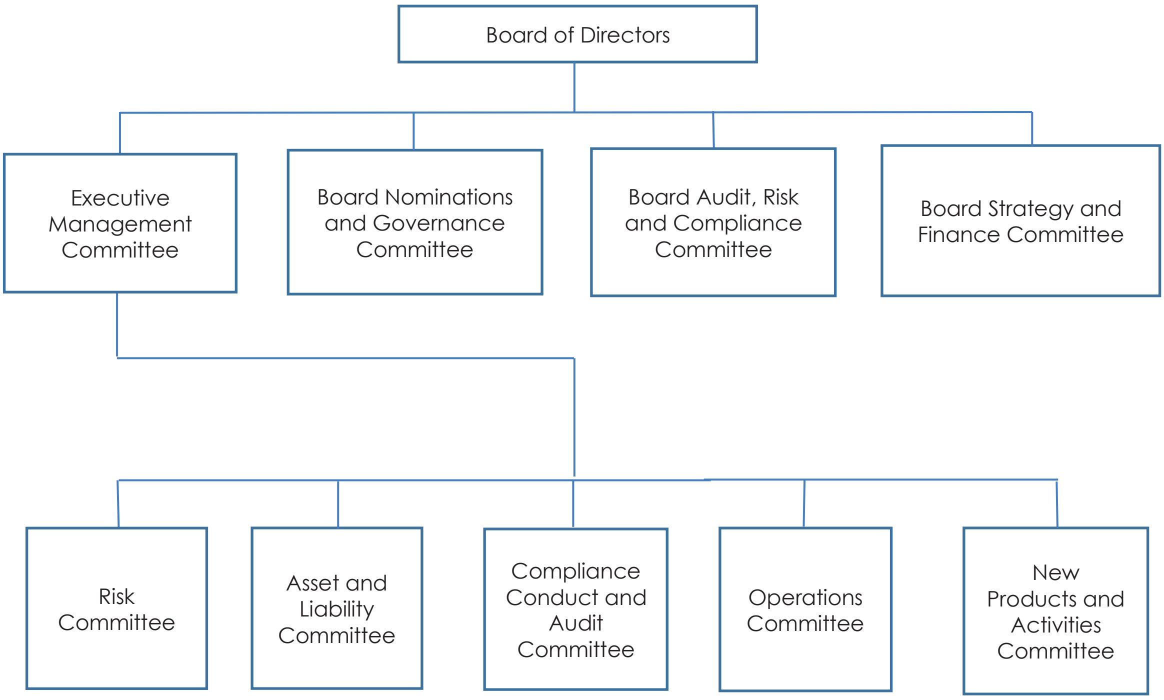
Corporate Governance

UBA UK is committed to good corporate governance and understands that a well embedded governance culture is fundamental to the long-term success of the Bank. With a strong and diversified Board, consisting of three (3) Independent Non-Executive Directors ("INED"), five (5) Non-Executive Directors ("NED"), and one (1) Executive Director ("ED"), the Bank has a robust and sound governance structure that guides and oversees the Bank's activities.

The Director's duties include providing strategic direction, oversight and challenge, specialist knowledge, expertise and advice with problem solving. In addition, the INED's provide independence and impartiality. Board members are subject to an annual performance review and receive initial and ongoing training to enhance the performance of their duties. The Board meets at least once per quarter, and more frequently should the need arise. The Board is supported by three (3) Board sub-committees, which monitor and provide oversight of specific aspects of the governance framework. Appropriate policies addressing adherence to the regulations that govern the Bank are reviewed and approved by the Board on a regular basis. Additionally, the Board and governance framework is subject to regular audits.

The main Board committees and functions delegated to the Executive Management Committee are set out below:

United Bank for Africa (UK) Limited



The Board sub-committees are as follows:

- Board Nominations and Governance Committee ("BNGC")

  The BNGC is the Board sub-committee with overall responsibility for the Bank's governance structure and framework and the appointment of key senior personnel. It also has oversight responsibilities for the Bank's organisational structure, remuneration and manpower and succession planning. The BNGC comprises seven (7) directors and is chaired by an INED. It meets at least four times per year.

- Board Audit, Risk and Compliance Committee ("BARCC")

  The BARCC is the Board sub-committee with overall responsibility for monitoring the integrity of the Bank's financial statements and overseeing the Bank's internal and external audit function. The BARCC is also responsible for oversight of the Bank's risk appetite, its risk management framework, systems, policies and procedures. The committee also oversees the Bank's overarching risk culture, and the compliance function. The BARCC comprises five (5) directors and is chaired by an INED. It meets at least four times per year.

- Board Strategy and Finance Committee ("BSFC")

  The BSFC is the Board sub-committee with overall responsibility for overseeing the management and control of the financial affairs of the Bank, including the development and implementation of the strategic plan, reviewing the overall financial position and performance of the Bank, and system and infrastructure needs. The BSFC comprise six (6) directors and is chaired by a NED. It meets at least four times per year.

The Board composition as at the 31 December 2020 was as follows:

Board Member	Sub-Committee Member	Status
High Chief Samuel Oni Chairman		NED
Mr John Coulter	BARCC BNGC – Chair	INED
Mr Ian Greenstreet	BARCC BNGC	INED
Mr Uche Ike	BARCC BNGC BSFC	NED
Mr Daniel Marx	BSFC	ED
Mr Chiugo Ndubisi	BNGC BSFC	NED
Mr. Alex Romer-Lee	BARCC – Chair BNGC	INED
Mr Alexander Trotter	BNGC BSFC	NED
Mr. Kennedy Uzoka	BARCC BNGC BSFC – Chair	NED

The Board has delegated day-to-day management responsibilities of the Bank to the Executive Management team, who operate and manage the Bank through the following executive committees:

- Executive Management Committee ("EXCO")

  The EXCO is the executive body of the Bank with overall responsibility for day-to-day management. The EXCO recommends the policies, objectives and strategy of the Bank to the Board for approval, and the ensures that the Bank is managed in accordance with the agreed policy framework, strategy and risk appetite, and in a sound, prudent and ethical manner in accordance with all relevant laws, regulations and guidance. EXCO is chaired by the CEO and meets monthly.

- Asset and Liability Committee ("ALCO")

  The ALCO reports to the EXCO and has been delegated the responsibility to manage and monitor the Bank's balance sheet, including its funding and liquidity profile, and capital position. ALCO is chaired by the ED, Risk & Compliance and meets monthly.

- Risk Committee ("RC")

  The RC reports to the EXCO and has been delegated the responsibility to manage and monitor the risks faced by Bank across all businesses and all risk types. This includes the continuous monitoring of the existing risk profile of the Bank and the approval of new credit exposures or any other type of risk taking. The RC is chaired by the ED, Risk & Compliance and meets monthly.

- Compliance, Conduct and Audit Committee ("CCAC")

  The CCAC reports to the EXCO and has been delegated the responsibility to manage and monitor the Bank's overall compliance framework, which includes conduct, anti-money laundering and financial crime risks. Furthermore, the Committee is responsible for overseeing the Bank's prevention of tax evasion, whistle blowing framework, and Internal Audit. The CCAC is chaired by the Head of Compliance and MLRO and meets monthly.

- Operations Committee ("OPCO")

  The OPCO reports to the EXCO and has been delegated the responsibility to manage, monitor and oversee the Bank's operational and support functions, and the Bank's technology infrastructure, systems, resources and processes & procedures. The OPCO is charged with the responsibility of ensuring that the technology environment of the Bank is appropriate for the delivery of the strategic plan and is managed in an effective, efficient and prudent manner. The OPCO also has responsibility for the overall security environment within the Bank. This includes the development, monitoring compliance and enforcement of security related policies and procedures for the safeguarding of various aspects of the Bank. The OPCO is chaired by the COO and meets monthly.

- New Products and Activities Committee ("NPAC")

  The NPAC reports to the EXCO and has been delegated the responsibility for reviewing and approving all new products and activities. The NPAC is chaired by the ED, Risk & Compliance and meets as and when required.

Principal Risks and Uncertainties

Risk is inherent in the Bank's business activities. The Bank has processes and controls to identify, measure, assess, monitor, manage and report each risk. The most significant risks are credit risk, market risk, operational risk and liquidity risk as detailed below and in the Risk Management note 28.

- Credit Risk

  Credit risk is the risk of a loss arising from the inability or failure of a counterparty to meet its obligations on due date. This risk arises when the Bank extends finance or enters into obligations on behalf of a counterparty.

  Credit exposures are managed by means of robust lending standards, credit policies and practices as well as diversified and balanced client, industry sector, and country risk limits and risk appetite limits are set to withstand stressed conditions during the credit cycle. Concentrations that may arise are managed within the credit risk framework.

  The Bank uses various techniques to mitigate credit risk. These include the use of set-off and netting agreements, cash collateral and risk transfer by way of risk participations. To qualify as risk mitigation, arrangements must be legally enforceable and effective in the relevant jurisdictions.

- Market Risk

  Market risk is the risk that changes in market conditions may adversely impact the value of assets, and for UBA UK comprises interest rate risk and foreign currency risk.

  a) Interest Rate Risk
  Changes in interest rates impact income differently for floating and fixed rate assets and liabilities. The value of assets and liabilities can change as a result of changes in market interest rates. Interest rate sensitivity analysis is performed based on a parallel shift in interest rates of 200 basis points in either direction to determine the impact on balance sheet values and net income.

  b) Foreign Currency Risk
  Foreign exchange exposure arises from foreign currency balances including, nostro accounts, bonds, trade loans and collateral. To mitigate this risk the Bank's policy is to match the currencies and assets and liabilities where possible and to take forward cover where foreign currency exposures are material and achieves the desired economic effect.

- Operational Risk

  Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, systems and human resources, or from external events. For UBA UK this includes outsourcing of operations, dependence on key suppliers, failure of IT security systems, backup and data protection processes, internal and external fraud, failure of strategic change and regulatory non-compliance. The result may be financial loss, reputational damage and an adverse impact on the business franchise.

  Overall responsibility for operational risk lies with all business areas with oversight by the Chief Risk Officer and a dedicated Operational Risk team. Individual business areas manage this risk through appropriate systems and controls, warning indicators and loss mitigation actions, including insurance. These actions include policies, procedures, internal controls and ongoing training to ensure sound management practice and compliance with laws and regulations. The oversight provided by Risk Department is subject to further assurance provided by internal audit.

Processes are in place for the recognition, measurement, assessment, analysis and reporting of risk events and help identify where processes and controls can be improved to mitigate or reduce the recurrence of risk events.

- Liquidity Risk

  The ALCO manages the Bank's liquidity position and holds a buffer of High Quality Liquid Assets ("HQLA") to ensure that it meets all funding obligations and commitments as they fall due in both normal and stressed conditions. In addition, the regulators set minimum liquidity parameters which are monitored and adhered to on a daily basis. It is the Bank's policy to match the maturities and currencies of assets and liabilities as far as practicable. The annual regulatory Internal Liquidity Adequacy Assessment Process ("ILAAP") documents the Bank's approach to managing liquidity risk.

Key Performance Indicators

The key indicators of the Bank's performance are monitored by the Board on a quarterly basis and management monthly. Those relating to profitability are pre-tax return on equity and return on total assets. The key indicator of efficiency monitored by the Board is the cost/income ratio and a measure of diversification is the non-interest income to total income ratio. The ratios are detailed in the table below:

	2020	2019
Pretax return on equity	-9%	1%
Cost to income ratio	163%	94%
Non-Interest income to total income	14.8%	22.3%
Return on total assets	-1.54%	0.26%

In addition to the financial performance indicators the Bank also considers non-financial indicators where appropriate, including technology and human resources related metrics.

Operational Resilience

UBA UK has made significant investments into its operations and technology environment over the last few years. The Bank has moved to a cloud hosted technology environment, which has significantly enhanced the Bank's resilience. Furthermore, a great deal of investment and effort has gone into the Bank's information security management. UBA UK is proud to have received its ISO 27001 certification in early 2020, which is internationally recognised as a mark of strong information security management and of a robust business continuity framework.

UBA UK, like many others, adopted remote working at various stages during 2020 in response to the Covid-19 pandemic. The Bank reacted quickly to the government guidance, supporting employees with technology and equipment as needed as well as ensuring the operational effectiveness of the supporting technology infrastructure. This meant that the Bank's operations continued uninterrupted and without any significant negative effect on the ability to support the needs of all stakeholders during the pandemic.

Risk Associated with Climate Change

UBA UK is committed to delivering long term value for all our stakeholders and the communities and environment in which we operate. The Bank appreciates the importance of our environment and of climate change issues and it takes all opportunities to limit the impact of its operations on the environment.

UBA UK also evaluates the financial impact climate change may have on its current financial position, and the forward-looking business plan at least annually. The Bank has also considered the financial risks from climate change from two primary risk factors (1) physical risk and (2) transitional risk. "Physical risks" relate to specific events such as extreme weather, flooding, rising sea levels and rising average temperatures. UBA UK determines the direct physical risk of climate change from its core activities to be low. Indirect risk is assumed when the Bank provides trade finance to banks and corporates heavily exposed to climate change. This risk is mitigated by the short-term self-liquidating nature of transactions, the principal industry sector focus of financial institutions and the inherent liquidity in the fixed income securities. UBA UK regards indirect physical risk as low. "Transitional risks" relate to adjustments towards a low-carbon economy such as changes to law, policy or regulation. As mentioned before, UBA UK's main product focus is on short dated self-liquidating cross border trade finance and Eurodollar fixed income securities issued by tier 1 banks from within its target market. Transitional risk is mitigated by the short-term cross border trade finance nature of transactions, the principal industry sector focus of financial institutions and the inherent liquidity in the fixed income securities. UBA UK takes no direct project finance or term lending exposure to entities that are directly exposed to the financial risk of climate change. Downstream transitional risk, for example the risk associated to a counterparty bank's exposure to the oil and gas or coal mining sectors are assessed as part of the Bank's credit risk management process.

The Bank is out of scope of the Streamlined Energy and Carbon Reporting ('SECR'), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Human Rights

UBA UK is committed to respecting human rights and we work to combat slavery and human trafficking in our business and our supply chains. The Bank's Modern Slavery statement is supported by a framework of internal policies and procedures which are designed to assist in the prevention, detection, management and reporting of slavery and human trafficking.

Anti-bribery and Corruption

It is the policy of UBA UK to conduct business in an honest and ethical manner. The Bank takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships, wherever it operates, and implementing and enforcing effective systems to counter bribery.

The Bank will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which it conducts business.

Brexit Impact

The Brexit agreement signed between the UK and the EU did not include any solution that provided EU market access to UK financial services firms. Whilst the ongoing discussions may provide some form of equivalence to UK financial services firms, the latest prevailing views are that this is likely to relate to investment services and activities, rather than banking. Notwithstanding this, the Bank believes that some measure of market access may still be possible, but it will depend on the laws of each individual EEA Member State. The Bank's latest evaluation is that the impact on the UBA UK business model will be minimal.

UBA UK's Libor Transition Arrangements

As required by the PRA, the Bank has prepared a Libor transition plan that assessed the possible impacts of transitioning away from Libor by business and product areas and outlines remedial actions. The impact on UBA UK as a result of Libor transition is deemed to be modest, mainly due to the Bank's limited short-dated and fixed rate product offering. The Bank continued to execute the plan during 2020 including amongst others ensuring staff awareness through regular workshops. Departmental Libor Transition Champions work closely with the Libor Project Manager to ensure that the project deliverables are tracked against the timeline and reported on to both the Operations Committee and EXCO.

Going Concern

The Bank has maintained adequate capital and liquidity, remaining above regulatory requirements, and continues to maintain healthy reserves. In preparing the annual financial statements, the Bank performed a going concern review that included amongst others considering the performance in 2020 and the impact on capital and liquidity in 2021. This review also considered that the Bank reacted quickly and decisively to events in 2020, including Covid and the loss after tax of US$3.8 million, and that implementation of the revised strategy is well underway and running concurrent with the exit of loss-making legacy NTB investments. It is reasonable to conclude that the Bank will continue to trade as a going concern for the foreseeable future and that the going concern basis of accounting is appropriate.

Capital

The Bank has 43,287,826 issued and fully paid shares of £1 each. There has been no change to the Bank's capital structure in 2020.

Results & Dividends

The Bank's loss for the year after taxation amounted to US$3.8m (2019: profit after tax US$0.6m). The Directors do not recommend the payment of a dividend for the year ended 31 December 2020.

Directors' indemnities

The Bank has made qualifying third-party indemnity provisions for the benefit of the directors of the Bank which were renewed during the year and remain in force at the date of this report.

Political donations

The Bank did not make any political donations during the year (2019: Nil).

Future developments

Details on future developments of the company are disclosed in the Strategic Report.

Directors' Representation

In the case of each director in office at the date the Directors' report is approved, so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and they have taken all reasonable steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Appointment of external auditor

PricewaterhouseCoopers LLP ("PwC") has held the position of independent auditor of UBA UK since 2013. The BARCC recommended to the Board that a mandatory tender process be followed for the appointment and provision of external audit services for the year ending 31 December 2020. This process resulted in the Board re-appointing PwC following conclusion of the tender process. PwC have indicated their willingness to continue in office until the next annual general meeting. Pursuant to section 489 of the Companies Act 2006, a resolution for their re-appointment as independent auditors will be proposed at the forthcoming annual general meeting.

United Bank for Africa (UK) Limited

Disclosure of information to external auditors

In accordance with the provisions of the Companies Act 2006, the Directors serving at the date of approval of this report confirm that, so far as each Director is aware, there is no relevant audit information of which the Bank's auditors are unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

By order of the Board,

Daniel Marx
Mar 30, 2021 12:53 PM BST

....

Daniel Marx

Executive Director

Date: 30 March 2021

6. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

7. INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNITED BANK FOR AFRICA (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, United Bank for Africa (UK) Limited ('the Bank')'s financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board Audit Risk & Compliance Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Bank in the period under audit.

Our audit approach

Overview

Audit scope

- Overall materiality: US$2.47m (2019: US$2.21m), based on 1% of total assets.
- The Bank is based wholly in the United Kingdom, and does not have any subsidiaries, branches or service centres. We therefore audited the Bank as a standalone entity.
- The areas of focus for our audit which involved the greatest allocation of our resources and effort were the valuation of the receivable from the parent entity, United Bank for Africa Plc and the impact of Covid-19.

Key audit matters

- The valuation of the receivable from the parent entity, United Bank for Africa Plc; and
- Impact of Covid-19

Materiality

- Overall materiality: US$2,470,000 (2019: US$2,210,000) based on 1% of total assets.
- Performance materiality: US$1,852,000 (2019:US$1,650,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in 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 in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Bank and industry, we identified that the principal risks of non-compliance with laws and regulations related to the relevant rules of the Prudential Regulatory Authority and Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reading key correspondence with regulatory authorities such as the Financial Conduct Authority and the Prudential Regulation Authority in relation to compliance with banking regulations.
- Identifying and testing journal entries, in particular any journal entries posted with unusual users and accounts, including revenue.
- Performing testing over period end adjustments.
- Incorporating unpredictability into the nature, timing and/or extent of our testing.

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the allowance for ECL.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	**How our audit addressed the key audit matter**
The valuation of the receivable from the parent entity, United Bank for Africa Plc	
The Bank's parent, United Bank for Africa Plc ('UBA Plc'), issues letters of credit to exporters to facilitate international trade. A significant proportion of the Bank's revenue is generated by providing short term financing to those customers, collateralised by the letters of credit issued by UBA Plc. The settlement arrangements for these financings result in a receivable on the balance sheet from UBA Plc, rather than the original borrower. This receivable from UBA Plc represents US$ 71m (29%) (2019: US$ 97m, 44%) of the total assets on the balance sheet. In previous years there have been delays in repayment of this receivable, due to challenges for UBA Plc in converting Nigeria Naira into US Dollars. In addition, under IFRS 9 'Financial Instruments', management is required to assess the expected credit loss on this receivable. The valuation of the receivable from UBA Plc was therefore the key matter on which we focused our audit effort. *Relevant reference in the Annual Report and Accounts: Note 12 - Loans and advances to banks.*	We independently confirmed the amount receivable by the Bank to the corresponding payable by UBA Plc with UBA Plc. We reviewed payments from UBA Plc and obtained evidence of regular payments through the year. We obtained management's IFRS 9 expected credit loss calculation, which has resulted in a US$ nil provision. This is due to the fact the receivable is collateralised by the financing provided by UBA Plc. We obtained the funding contract between UBA Plc and the Bank, and confirmed the existence of the right of set off. The payable balance to UBA Plc is greater than the receivable, supporting the value of the receivable. Based on the evidence obtained, we found the valuation of the receivable from the parent entity to be materially appropriate.

Impact of Covid-19 The global COVID-19 pandemic, and the associated societal restrictions imposed by the UK and Nigeria Government, have adversely affected the UK and Nigeria population and economy. The virus emerged in the UK and Nigeria in January and March 2020 respectively, and spread quickly, prompting both governments to impose widespread restrictions on the population throughout 2020 and into 2021. The successful development and administration of vaccines has created some optimism over the lifting of restrictions, but there remains significant uncertainty over the need and extent of future government intervention and the economic outlook, which in turn will have an impact on the Bank. The majority of the Bank's employees have been working remotely since March 2020, and there has been no significant impact on operations. Management has considered the impact of Covid-19 when preparing the financial statements and their assessment on going concern.	Our planning and execution of our audit has given specific consideration to the impact of Covid-19 on the Bank. In assessing management's consideration of the impact of Covid-19 on the financial statements, we have undertaken the following procedures: • Performed inquiries with management and the Bank's regulators, the PRA and the FCA; • Assessed the impact of Covid-19 on estimates and the assumptions that underpin them, for example related to expected credit losses; • Reviewed management's going concern assessment, which considered the potential impact of Covid-19 on future profitability; • Considered the impact of Covid-19 on the Bank's internal control environment through our audit testing and inquiries of management; and • Evaluated the adequacy of the disclosures made in the financial statements with respect to the impact of Covid-19. As a result of these procedures, we concluded that the impact of Covid-19 has been appropriately evaluated and reflected in the preparation of the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

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

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

Overall Bank materiality	US$2,470,000 (2019: US$2,210,000).
How we determined it	1% of total assets
Rationale for benchmark applied	The Bank has been used to facilitate and conduct the UBA Plc group's business in the United Kingdom, and the profitability had seen some fluctuation in previous years. Total assets is therefore considered the most appropriate benchmark. A benchmark of 1% is used to reflect the Bank's regulatory permission to accept deposits.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US$1,852,000 for the Bank financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board Audit Risk & Compliance Committee that we would report to them misstatements identified during our audit above US$123,000 (2019: US$110,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Evaluation of management's going concern assessment;
- Evaluation of stress testing performed by management and consideration of whether the stresses applied are appropriate for assessing going concern;
- Review of the Bank's submissions to the PRA, as well as its ICAAP and ILAAP assessments and the key assumptions included therein;
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern; and
- Assessment of the Bank's profitability, along with balance sheet strength and potential sources of funding.

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Bank's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors’ 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 auditors’ 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Bank’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 1 December 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2013 to 31 December 2020. The audit was tendered in 2020 and we were re-appointed with effect from 1 January 2020.

Daniel Pearce

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 March 2021

8. FINANCIAL STATEMENTS

8.1. Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Interest receivable and similar income		11,695	13,708
Interest expense		(6,531)	(6,473)
Net interest income	4	5,164	7,235
Fee and commission income	5	410	463
Credit impairment (loss)/reversal	27	(236)	159
Other income	6	720	1,459
Operating income		6,058	9,316
Staff costs	7	(5,246)	(5,853)
Administrative expenses	8	(1,621)	(2,061)
Other operating expenses	9	(2,215)	-
Depreciation and amortisation	15/16	(786)	(820)
(Loss)/profit before taxation		(3,810)	582
Taxation	11	(13)	39
(Loss)/profit for the year		(3,823)	621
Other comprehensive (expense)/ income			
Items that may be reclassified to profit and loss			
Hedging derivative unrealised (loss)/gain		(73)	66
Net loss on financial assets measured at FVOCI		(142)	(164)
Total comprehensive (expense)/ income		(4,038)	523

All transactions are in respect of continuing operations.

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

8.2. Statement of Financial Position as at 31 December 2020

	Note	DEC 2020 US$'000	DEC 2019 US$'000
Assets			
Cash and cash equivalents	12	44,722	23,286
Loans and advances to banks	13	77,202	111,003
Investment securities	14	119,082	80,125
Property, plant and equipment	15	2,825	3,151
Intangible assets	16	2,329	2,597
Other assets	17	983	1,420
Total assets		247,143	221,582
Liabilities			
Deposits from banks	18	188,546	169,817
Deposits from customers	19	13,469	2,142
Derivative financial instruments	20	172	99
Deferred tax liability	21	67	54
Other liabilities	22	3,681	4,224
Total liabilities		205,935	176,336
Equity			
Share capital	23	60,246	60,246
Share premium account		201	201
Accumulated losses		(18,884)	(15,061)
Other reserves		(355)	(140)
Total shareholders' equity		41,208	45,246
Total equity and liabilities		247,143	221,582

The accompanying notes form an integral part of the financial statements. The financial statements on pages 41 to 71 were approved by the board of directors on 30 March 2021 and signed on its behalf by:

Daniel Marx
Mar 30, 2021 3:42 PM BST
....

Daniel Marx
Executive Director
Date: 30 March 2021
36 Queen Street, London EC4R 1BN
Bank Registration No: 03104974

8.3. Statement of Changes in Equity for the year ended 31 December 2020

	Share capital US$'000	Share premium account US$'000	Fair value reserve US$'000	Hedging reserve US$'000	Accumulated losses US$'000	Total Shareholders' equity US$'000
Balance at 1 January 2020	60,246	201	(41)	(99)	(15,061)	45,246
Loss for the year	-	-	-	-	(3,823)	(3,823)
Other comprehensive expense	-	-	(142)	(73)	-	(215)
Balance at 31 December 2020	60,246	201	(183)	(172)	(18,884)	41,208
Balance at 1 January 2019	60,246	201	123	(165)	(15,682)	44,723
Profit for the year	-	-	-	-	621	621
Other comprehensive income/(expense)	-	-	(164)	66	-	(98)
Balance at 31 December 2019	60,246	201	(41)	(99)	(15,061)	45,246

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

United Bank for Africa (UK) Limited

8.4. Statement of Cash Flows for the year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Cashflows from operating activities			
(Loss)/Profit for the year		(3,823)	621
Depreciation and amortisation	15/16	786	820
Changes in loans and advances to banks	13	33,801	(36,075)
Changes in other assets	17	438	(762)
Changes in deposits from banks	18	18,729	59,043
Changes in deposits from customers	19	11,327	(6,507)
Changes in other liabilities	22	(382)	(25)
Taxation paid	11	-	-
Other non-cash movements		(190)	(195)
Net cashflows from operating activities		60,686	16,920
Investing activities			
Investment in property and equipment	15	(11)	(147)
Investment in intangible assets	16	(121)	(129)
Lease payments		(161)	(247)
Purchase of investment securities	14	(38,957)	(18,371)
Net cash outflow from investing activities		(39,250)	(18,894)
Financing activities			
Net cash outflow from financing activities		-	-
Net cash inflow/(outflow) during the year		21,436	(1,974)
Cash and cash equivalents at 1 January		23,286	25,260
Cash and cash equivalents at 31 December	12	44,722	23,286

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

8.5. Notes to the financial statements.

1. Accounting policies

Reporting entity

UBA UK is an authorised and regulated wholesale deposit taking institution domiciled and incorporated in the UK and is a wholly owned subsidiary of UBA Plc. The Bank's principal activities comprise wholesale deposit taking, the provision of international trade finance products and services, fixed income, and foreign exchange broking.

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Policies have been consistently applied other than where new policies have been implemented.

Functional and presentational currency

The financial statements are prepared and presented in US dollars (USD) as the functional currency of the primary economic environment in which the Bank operates and plans to continue to operate. This is the primary currency of trade finance services, fixed income and foreign exchange transactions.

Significant accounting estimates and judgements

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and fair value through other comprehensive income ("FVOCI") is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios.

Financial instruments

Financial instruments are recognised and measured under the requirements of IFRS 9.

The Bank recognises a financial asset or financial liability on its Statement of Financial Position when the Bank becomes a party to the contractual provisions of the instrument.

The Bank derecognises a financial asset when: the contractual rights to the cash flows from the financial asset expire; or it transfers the contractual rights to the cash flows and the Bank has no continuing involvement in all or a portion of those rights.

The Bank removes a financial liability from the Statement of Financial Position (derecognition) when it is extinguished, when the obligation specified in the contract is discharged, cancelled or expires.

IFRS 9 requires financial assets to be classified using two criteria:

- A contractual cash flow test to determine whether cash flows represent 'solely payments of principal and interest'
- A business model test which takes the nature, purpose and intention of the asset into account

Financial assets measured at amortised cost receive contractual cash flows on specified dates and are held with no intention to sell. Initial recognition is at fair value with subsequent re-measurement at fair value and includes directly attributable transaction costs. Income earned is recognised in profit and loss.

Financial assets measured at fair value through other comprehensive income comprise assets which receive contractual cash flows on specified dates and are potentially for sale. Initial recognition is at fair value with subsequent re-measurement at fair value and changes (except changes relating to impairment, interest and currency movements) are recognised in other comprehensive income until sold. Upon disposal the cumulative gains and losses in other comprehensive income are recognised in the income statement as net investment income.

Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets. A derivative with a positive fair value is recognised as a financial asset and a derivative with a negative fair value is recognised as a financial liability.

The Bank may enter into derivative financial instruments to manage exposure to foreign exchange and interest rate risk.

IFRS 9 includes an accounting policy choice to apply hedge accounting where the requirements for a hedging relationship between a hedging instrument and a hedged item can be met.

Impairment

Under IFRS 9 entities are required to recognise ECLs based on forward looking information for all financial assets at amortised cost, assets at FVOCI, commitments and guarantees. At each balance sheet date financial assets are assessed for impairment. Expected credit losses are a probability weighted average credit loss determined by evaluating a range of possible outcomes and future economic conditions, including both upside and downside scenarios.

An ECL allowance is calculated on individual exposures at the reporting date. The ECL allowance is based on three stages with a default horizon of 12 months for performing exposures and a lifetime horizon for under-performing or non-performing exposures. The mitigating effects of collateral and the time value of money are considered when determining the ECL.

Stage 1 is the initial recognition of the ECL allowance, and the calculation model is based on three main components:

- Probability of default ("PD")
- Loss given default ("LGD")
- Exposure at default ("EAD")

A 12 month expected loss horizon is used for the calculation of the ECL. Interest revenue is recognised on a gross basis. At this stage an exposure is usually performing.

Stage 2 applies when there is a significant increase in credit risk based on quantitative and qualitative assessments. Quantitative criteria include an increase in PD and considers obligor specific factors such as changes in performance, technology and collateral support as well as macro-economic factors. The following shall indicate a significant increase in credit risk:

- For investment grade – one band out of investment grade
- For speculative grade – one band for instruments rated below B and two notches for instruments rated B and above (but not investment grade)

Qualitative criteria include industry and peer group analysis. A lifetime expected loss horizon is used for the calculation of the ECL. Interest is recognised on a gross basis. At this stage an exposure is usually under-performing.

Stage 3 applies to exposures in default. Credit losses are the expected cash shortfalls from what is contractually due discounted at the original effective interest rate. Forborne assets are usually be regarded as in default. A lifetime horizon is used for the calculation of the ECL. Interest is recognised on a basis net of the impairment allowance. At this stage an asset is usually non-performing.

When commercial restructuring of non-defaulted exposure occurs, an assessment is made of any change in the overall risk profile. Any resulting gain or loss is recognised in the income statement.

ECL scenarios

The Bank calculates a base scenario, two downside scenarios and one upside scenario for stress testing purposes as follows:

- For the **base case** the Bank undertakes a comprehensive review of its credit portfolio, including an ECL calculation, monthly. This enables the close tracking of the risk comprising the credit portfolios basis and takes cognisance of the largely trade finance led business model, including the material use of cash collateral as qualifying credit mitigation. The Bank's approach has regard for loan deterioration and stage allocation, and is predicated on identifiable primary, secondary and backstop indicators to identify significant increases in credit risk. This base case calculation incorporates probability of default and loss given default assumptions publicly sourced and defined in a Board approved framework.

  For 2019 this scenario was allocated a probability weighting of 60%. In 2020, the ongoing global Covid-19 pandemic severely impacted on economic activity in Nigeria. The country has witnessed a sharp fall in international oil prices, together with reduced global demand for its main export commodity, i.e. oil (c. 90% of exports). The wider economy which remains highly reliant on foreign exchange proceeds and the recycling of petrodollars contracted significantly when compared to pre Covid-19 projections.

  Even before the Covid-19 outbreak, the Nigerian economy was facing headwinds from rising external vulnerabilities and falling per capita GDP. The near-term economic impact of the Covid-19 pandemic is expected to continue to be severe, while already high downside risks are increasing. The pandemic along with the sharp fall in oil prices has magnified these vulnerabilities, leading to a historic decline in growth, large financing needs and severely reduced economic activity. These shocks have created large external financing needs for 2020 and 2021. Additionally, the declines in oil prices and containment measures continuous to affect the real and financial sectors and strain the country's financing.

  Predicated on the prognosis detailed above, the probability weighting of the status quo maintaining is estimated at less than 50% and is proposed to be set at 45% for year-end 2020 purposes.

- **Scenario 1** is a Nigeria specific downside scenario which, following a continued and extended decline in the oil price, leads to a weakening in the economic fundamentals of Nigeria translating into a 1 notch downgrade in the sovereign credit rating. A downward shift in the "sovereign ceiling" in turn translates into a 1 notch downward shift in the credit ratings of all Nigerian counterparties.

  For 2019 this scenario was allocated a 20% probability weighting. Given the background provided in the base case above and based on a qualitative internal assessment, the probability of this scenario crystallising is estimated at 1 in 4, i.e. 25%, for year end 2020 purposes.

- **Scenario 2 is** a Bank specific downside scenario for developed market exposures leading to a 2 notch downgrade in the rating of the Bank's exposure to developed market entities, and a one notch downgrade in Nigerian exposures.

  For 2019 this scenario was allocated a 10% probability weighting. Given the background information provided in the base case above, combined with the prolonged impact of the pandemic on developed markets, it is deemed prudent to increase the probability of this scenario for year-end 2020 purposes. The probability weighting for 2020 is therefore proposed to be set at 20%.

- The upside **scenario 3** models a Nigeria specific scenario which, following a sustained increase in the oil price, leads to an improvement in the economic fundamentals of Nigeria, translating into a 1 notch upgrade in the sovereign credit rating. This shift in the "sovereign ceiling" over time translates into a 1 notch upward shift in the credit ratings of all our Nigerian counterparties.

Considering the depressed global macroeconomic environment, the probability weighting of the Bank's upside scenario at 10% for 2019 should *ceteris paribus* be reduced for year-end 2020 purpose. Nevertheless, it is retained at 10%, representing the remote likelihood of a sharp V-shape recovery in global economic activity, and the positive impact thereof on emerging markets and more specifically Nigeria.

Scenario outcomes

For 2019, UBA UK based the ECL calculation for year-end purposes on 100% of the base case and disclosed the impact of other economic scenarios in the notes to the annual report and accounts. This was deemed acceptable given the immaterial difference between the 100% liability of the base case and a weighted average assumption required by IFRS 9. For 2020, management have concluded that it is now appropriate to calculate the ECL using the weighted average approach as there is a widening delta between the ECL calculated using the weighted average approach and the 100% base case approach. The change to a weighted average approach also aligns UBA UK with the approach adopted by the parent company.

The table below details the outcome of each economic scenario on the ECL, the estimated probability of realisation and the ECL closing balance:

US$	**ECL Estimate - 31/12/2020**	**Probability Weighting**	**ECL Balance- 31/12/2020**
Base Case	640,460	45%	288,207
Scenario 1	780,889	25%	195,222
Scenario 2	801,992	20%	160,398
Scenario 3	557,946	10%	55,795
			699,622

Definition of default

The definition of default is based on the Regulatory Capital CRR Article 178 definition which defines an exposure more than 90 days past due as being in default. Extraordinary factors are considered when applying this definition.

Impairment losses as a result of uncollectible exposures are written off against the related allowance for loan impairment. Subsequent recoveries of amounts previously written off are credited to the income statement.

Revenue from contracts with customers

Revenue from contracts with customers, except leases, financial instruments and insurance contracts, have been accounted for under IFRS 15.

The 5-step model requires UBA UK to:

- Identify the contract with the customer
- Identify each of the performance obligations
- Determine the amount of the consideration under the contract
- Allocate the consideration to each of the performance obligations
- Recognise revenue as each performance obligation is satisfied

Revenue comprises mainly fee and commission income and is recognised when the services are provided.

Interest income and interest expense

Interest income comprises interest earned on loans advanced, fixed income instruments held and money market deposits. Interest expense consists of interest payable on loans and deposits. Interest income and interest expense are recognised when incurred in the income statement using the effective interest rate method.

Interest income and expense for all interest-bearing financial instruments are calculated by applying the effective interest rate to the gross carrying amount for non-credit impaired financial assets and are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. For credit-impaired financial assets subsequent to initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset.

Foreign exchange income

Foreign exchange income comprises gains less losses related to foreign exchange brokerage.

Property and equipment

Measurement

Fixed assets are recorded at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets (costs of bringing the asset to its location and working condition). Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the asset flow to the Bank and the cost of the asset can be measured reliably.

External costs to bring the asset into use are capitalized and amortized over the life of the asset. Internal implementation costs are not separately recognised. Repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

Tangible fixed assets are depreciated on the straight-line basis over the following estimated useful lives:

- Furniture and fittings 5 years
- Office equipment 5 years

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value, less costs to sell, and value in use.

Leasehold improvements are amortised using the straight-line method over the shorter of the remaining lease term before any options to extend, or the estimated useful life of the asset.

All capital contributions received are deducted from the cost before the amortisation of leasehold improvements. Costs for repairs are expensed in the period work is undertaken. Dilapidation provisions are made unless it is not possible to reliably quantify the obligation arising at the end of the lease period.

Disposal

On disposal of a fixed asset (movable and immovable), economic substance rather than legal form determines the timing of the elimination, the amount and the designation of gain/loss arising.

Gains and losses on disposal are recognised at the time an asset is sold provided:

- The amount of profit/loss is measurable, and payment of sales price reasonably assured; and
- The Bank is not obligated to perform significant activities after the sale or to provide any warranties after sale.

Gains and losses on disposal shall be determined by comparing net proceeds with the carrying amount. These are included in the income statement for the year.

Intangible assets

Computer software and licenses recognised by the Bank are stated at cost less accumulated amortisation. Subsequent expenditure is capitalized only when it increases the future economic benefits in the asset. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the useful life of 10 years.

Foreign currencies

Transactions in foreign currencies are translated into US dollars at the mid rates prevailing as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the mid rates of exchange prevailing at that date. All exchange differences are included as gains or losses in the statement of comprehensive income.

Leases

Contracts for leases have been accounted for under IFRS 16 with an effective date of application of 1 January 2019. The Bank considers whether a contract is or contains a lease. A lease is defined as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset means that the customer has the right to obtain substantially all the economic benefits from the use of the asset and the right to direct the use of the identified asset.

At lease commencement date, the Bank recognises a right of use asset and a lease liability on the balance sheet. The right of use asset is measured at cost.

The Bank depreciates the right of use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted at the interest rate implicit in the lease or the incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

The Bank has elected to account for short term leases and leases of low value using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit and loss on a straight-line basis over the lease term.

In the statement of financial position, right-of-use assets are included in fixed assets and lease liabilities are reported in trade and other payables. The Bank recognises depreciation of leased assets and interest on lease liabilities in the income statement.

When the Bank has the option to extend a lease, management uses its judgement to determine if an option would be reasonably certain to be exercised. Management considers all facts and circumstances to help determine the lease term.

Pension costs

The Bank operates a defined contribution scheme. The contributions are recognised as an expense in the income statement when they are due, and the Bank has no further payment obligations once the contributions have been paid.

Provisions and financial commitments

A provision is recognised if the Bank has a present or future legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits is required to settle the obligation.

Financial commitments from contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

Financial commitments from contingent assets are possible assets that arise from past events and whose existence are confirmed only by the occurrence of one or more uncertain future events not wholly within the Banks control. These are disclosed where an inflow of economic benefits is probable and are recognised only when it is virtually certain that an inflow of economic benefits arises.

Taxation

Corporation tax

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws which have been enacted or substantively enacted at the reporting date.

Deferred tax

A deferred tax liability or asset is recognised in respect of timing differences which result in an obligation to pay more or less tax respectively at a future date. Timing differences arise as a result of differences between taxable profits and profits as stated in the financial statements.

Deferred tax is calculated on a non-discounted basis after taking assessed losses into account at the tax rates that are known or are expected to apply in the years in which the timing differences are expected to reverse. Changes to deferred tax as a result of changes in tax rates are recognised in the current year.

Going concern

The Directors have considered the principal risks, the Bank's resources and the level of support provided to it by its parent, UBA Plc, and consider it appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Board has ultimate responsibility for the Bank's Stress Testing and Scenario Analysis Framework ("STSAF") and on the recommendation of the Board Audit, Risk and Compliance Committee ("BARCC") will formally approve the STSAF at least annually. As part of this framework, the Bank's Risk Committee has identified a relatively wide range of stresses and scenarios which would stress the baseline financial position of the Bank. These scenarios are regarded as both probable and relevant given UBA UK's African-centric business model, the Reverse Stress Test scenario in the STSAF is a systemic failure in the Nigerian banking system which includes a failure at UBA Plc.

2. New accounting standards

There were no new accounting standards applied during the year that are considered to be relevant to the Bank.

3. Business and geographical segments

All the Bank's activities are derived from one main activity, the provision of wholesale banking services, which are carried out in the United Kingdom.

4. Net interest income

	2020 US$'000	2019 US$'000
Interest income		
Cash and cash balances	29	30
Loans and advances to banks	6,379	6,929
Investment securities	5,287	6,749
	11,695	13,708
Interest expense		
Loans from banks	(6,514)	(6,455)
Interest on lease liability	(17)	(18)
	(6,531)	(6,473)
Net interest income	5,164	7,235

5. Fee and commission income

	2020 US$'000	2019 US$'000
Fee and commission income		
Derived from trade finance	686	673
Other	24	28
	710	701
Fee and commission expense		
Safe custody	299	234
Other	1	4
	300	238
Net fee and commission income	410	463

Net fee and commission income of US$410,000 (2019: US$463,000) is derived from advising and confirming letters of credit.

6. Other income

	2020 US$'000	2019 US$'000
Gains from disposal of FVOCI bonds	146	860
Gains from Bonds Brokerage	193	-
Gains from Foreign Exchange Brokerage	381	599
	720	1,459

7. Staff costs

Staff costs during the year were as follows:

	2020 US$'000	2019 US$'000
Wages and salaries	4,376	5,066
Social security costs	460	467
Pension costs	251	229
Other costs and benefits	159	91
	5,246	5,853

A defined contribution pension scheme is operated by the Bank. The amount payable at the reporting date in relation to these contributions was US$ Nil (2019: US$ Nil).

The average number of employees during the year was 35 (2019: 31), of which 8 (2019:5) were customer facing, 6.5 (2019:8) in control functions and 20.5 (2019:18) employees in administrative roles.

8. Administrative expenses

	2020 US$'000	2019 US$'000
Auditors remuneration:		
Audit of Bank's statutory accounts	105	100
Non - audit services	3	2
	108	102
Consulting fees	292	275
IT software maintenance and support	563	455
Leasing expenses	320	327
Other administrative expenses	338	902
	1,621	2,061

Non-audit fees relate to country-by-country reporting provided by the Bank's auditors.

9. Other operating expenses

	2020 US$'000	2019 US$'000
Revaluation Loss	2,215	-
	2,215	-

Transactions in foreign currencies are translated into US dollars at the mid rates prevailing as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the mid rates of exchange prevailing at that date. All exchange differences are included as gains or losses in the statement of comprehensive income.

10. Directors' remuneration

Staff costs include the following emoluments in respect of the qualifying services provided by the directors of the Bank:

	2020 US$'000	2019 US$'000
Salaries, fees and other	1,233	1,094
Pension contributions	33	75
Other benefits	8	51
	1,274	1,220

The number of directors for whom retirement benefits were accrued under money purchase pension schemes amounted to nil (2019: nil). Other benefits include accommodation allowances.

There was no compensation or termination benefits paid to any Director for loss of office.

Emoluments disclosed above include the following amounts payable to the highest paid director:

	2020 US$'000	2019 US$'000
Total emoluments	557	584
	557	584

There were no share options exercised during the year (2019: Nil) and defined benefit pension scheme in operation.

11. Taxation

	2020 US$'000	2019 US$'000
Analysis of change in period:		
UK corporation tax on (loss)/profit for the year	-	-
Adjustments in respect of prior periods	-	(8)
Current tax	-	-
Deferred tax	6	(39)
Deferred tax - rate change on opening balances	7	8
Tax liability/(credit)	13	(39)

	2020 US$'000	2019 US$'000
Factors affecting the tax charge for the year:		
(Loss)/profit for the year	(3,810)	582
(Loss)/profit at standard rate of corporation tax of 19%	(724)	111
Expenses not deductible for tax purposes	5	2
Fixed asset permanent differences	3	29
Deferred tax on losses not recognised	1,004	(164)
Deferred tax - different tax rates	(275)	(15)
Adjustments in respect of prior periods	-	(2)
Tax liability/(credit)	13	(39)

Corporation tax provided on a small amount of non-trade income was US$ nil (2019: $nil). The bank has a potential deferred tax asset of US$ 3,326,343 (2018: US$2,335,476) calculated at 19% of the carried forward trading losses of US$ 17,631,820 (2019: US$ 13,801,628). The bank has not recognised a potential deferred tax asset at 31 December 2020.

12. Cash and cash equivalents

	2020 US$'000	2019 US$'000
Cash with other banks	44,732	11,286
Money market placements	-	12,000
Less impairment provision	(10)	-
	44,722	23,286

At 31 December 2020 no cash and cash equivalents were impaired (2019: Nil). The maturity profile is disclosed in note 28.

13. Loans and advances to banks

	2020	2019
	US$'000	US$'000
Loans to parent bank	71,430	97,396
Loans to fellow subsidiaries	5	848
Loans to other banks	5,946	13,019
Less impairment provision	(179)	(260)
	77,202	111,003

Loans and advances to banks include collateralised trade financing receivables owed by the parent bank to UBA UK. The directors consider that the carrying amount of loans and advances to banks is approximately equal to their fair value after the recognition of the impairment provision. At 31 December 2020 no loans to banks were impaired (2019: nil). The maturity profile of loans and advances is disclosed in note 28.

14. Investment securities

	2020	2019
	US$'000	US$'000
Debt instruments held at amortised cost	41,008	24,016
Less ECL impairment provision	(315)	(69)
	40,693	23,947
Debt instruments held at FVOCI	76,480	56,257
Less ECL impairment provision	(91)	(79)
	76,389	56,178
Collective Investment	2,000	-
Total investment securities	119,082	80,125

The carrying amount of investment securities is approximately equal to the fair value after the recognition of the expected credit loss impairment provision.

At 31 December 2020 all investment securities are considered as performing. Debt instruments held at FVOCI are classed as stage 1 for the recognition of ECL allowances. In 2020 no investments were impaired (2019: Nil).

The Collective Investment Undertaking ("CIU") is an investment in the BlackRock ICS US Treasury Fund that invests solely in US Government securities and meets the strictest of the UK Regulator's requirements for Level 1 HQLAs.

The maturity profile of investment securities is disclosed in note 28.

15. Property, plant and equipment

	Furniture and Fittings	Office equipment	Leasehold Improve-ments	Right of use Asset	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2020	122	506	1,030	2,719	4,377
Additions	4	4	3	-	11
Exchange Difference	-	-	-	107	107
At 31 December 2020	126	510	1,033	2,826	4,495
Accumulated depreciation					
At 1 January 2020	114	452	405	255	1,226
Exchange Difference	-	-	-	10	10
Charge for the year	6	35	128	265	434
At 31 December 2020	120	487	533	530	1,670
Net book value					
At 31 December 2020	6	23	500	2,296	2,825
Cost					
At 1 January 2019	122	496	894	-	1,512
Additions	-	10	136	-	146
Reclassifications	-	-	-	2,719	2,719
At 31 December 2019	122	506	1,030	2,719	4,377
Accumulated depreciation					
At 1 January 2019	90	352	305	-	747
Charge for the year	24	100	100	255	479
At 31 December 2019	114	452	405	255	1,226
Net book value					
At 31 December 2019	8	54	625	2,464	3,151

In the above table the line item for Office premises comprises one right of use asset with a net book value of US$2.424m for the Bank's premises. There are no impairments associated with these assets.

16. Intangible assets

	2020	2019
	US$'000	US$'000
Cost		
At beginning of year	3,446	3,317
Additions	121	129
Reclassifications	(37)	
At end of year	3,530	3,446
Accumulated amortisation		
At beginning of year	849	508
Charge for the year	352	341
At end of year	1,201	849
Net book value		
At end of year	2,329	2,597

17. Other assets

	2020	2019
	US$'000	US$'000
Prepayments and accrued income	365	327
VAT receivable	155	184
Other receivables	283	733
Rent deposits	180	176
	983	1,420

18. Deposits from banks

	2020	2019
	US$'000	US$'000
Amounts due to parent bank	154,129	140,601
Amounts due to fellow subsidiaries	31,456	20,991
Amounts due to other banks	2,961	8,225
	188,546	169,817

Intercompany borrowings from the parent and fellow subsidiaries are unsecured. The maturity profile of these deposits is disclosed in note 28.

19. Deposits from customers

	2020 US$'000	2019 US$'000
Current accounts	13,469	2,142
	13,469	2,142

The maturity profile of these deposits is disclosed in note 28.

20. Derivative financial instruments

	Notional amount	Assets 2020	Liabilities 2020	Assets 2019	Liabilities 2019
	US$'000	US$'000	US$'000	US$'000	US$'000
Exchange rate contracts	23,460	-	172	-	99

Derivative financial instruments consist of non-deliverable forward transactions held to hedge the currency risk on Nigerian foreign currency denominated treasury and open market operation ("OMO") bills and are held at fair value through other comprehensive income and priced with reference to observable market data. These exchange rate contracts have maturity dates within twelve months.

21. Deferred tax liability

Capital allowances in advance of depreciation/short term timing differences:

	2020 US$'000	2019 US$'000
At 1 January	54	85
Accrual/(reversal) of provision	13	(31)
At 31 December	67	54

At 31 December 2020 there was a reversal of previous timing differences resulting in an increase in the deferred tax liability of US$ 13,000 (2019: (US$31,000)) in respect of investment in the infrastructure and systems.

22. Other liabilities

	2020	2019
	US$'000	US$'000
Lease liability	2,311	2,472
Accrued expenses	1,193	1,599
Accounts payable	-	24
Current tax liabilities	-	1
Other liabilities	73	73
Provision for other liabilities and charges	104	55
	3,681	4,224

23. Share capital

	2020	2019
	US$'000	US$'000
Issued and fully paid:		
43,287,826 ordinary shares of £1 each (2019: 43,287,826)	60,246	60,246

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2020 is US$ 41.2m (2019 US$45.2m).

24. Regulatory capital

The Bank was granted a wholesale deposit banking licence in March 2018. Regulatory capital is determined in accordance with the requirements stipulated by the Prudential Regulatory Authority ("PRA") in the UK. Total regulatory capital as at 31 December 2020 was US$ 41.5m (2019 US$42.4m).

The Bank's total regulatory capital qualifies as Tier 1 capital, which is the total of the issued share capital and retained earnings, less intangible assets and unrealised gains on investment securities.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management. The Bank employs techniques based on the guidelines developed by the Basel Committee and European Community Directives as implemented by the Financial Conduct Authority ("FCA") and the PRA in the UK, for supervisory purposes, who requires each bank to maintain a ratio of total regulatory capital to risk-weighted exposures at or above a level determined for each institution.

25. Financial commitments

The Bank has the following commitments under trade finance contracts:

	2020	2019
	US$'000	US$'000
Letters of credit (including cash backed)	32,679	17,399
Loan commitment	2,646	222
	35,325	17,621

The sum of US$ 23.7m (2019: US$8.9m) represents amount received for collateralised letters of credit which the Bank is committed to pay upon presentation of documents. Under IFRS 9 an ECL provision is held against these commitments totalling US$ 104,000 (2019: US$55,000). There were no capital commitments.

26. Financial instruments

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

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

The Bank's method of valuation of the financial instruments subject to fair value is on the next page.

	Quoted market price Level 1 US$'000	Fair value US$'000
At 31 December 2020		
Debt instruments at fair value	76,389	76,389
Derivative financial instruments	172	172
	76,561	76,561
At 31 December 2019		
Debt instruments at fair value	56,257	56,257
Derivative financial instruments	99	99
	56,356	56,356

27. Provisions for expected credit losses (ECLs)

	2020 US$'000	2019 US$'000
Balance as 1 January	463	622
Increase/(Decrease) in collective impairment	236	(159)
Balance as 31 December	699	463

	2020 US$'000	2019 US$'000
Cash and cash equivalents	10	-
Loans and advances to banks	179	260
Investment securities	406	148
Other contingent liabilities	104	55
Closing balance of credit impairment	699	463

28. Risk management

The Bank manages its capital and its liquidity to ensure that it meets its obligations and to continue as a going concern while maximising the return to stakeholders.

The capital of the Bank consists of equity, comprising issued capital and reserves.

The Bank is primarily exposed to market, credit, concentration, liquidity, operational and regulatory risks.

Market risk

Market risk is the risk of losses in positions arising from movements in market prices. The main contributors to market risk are:

Bond price risk

From time to time fixed income instruments are held both for liquidity purposes and as part of the investment bond portfolio.

A quantitative assessment of bond price risk is conducted through scenario stress tests for the fixed income book, using 11 historical scenarios. These scenarios measure the possible losses to the bonds if a historical scenario were to arise again. Stress tests are conducted and reviewed on a monthly basis. A 2% change in the price of bonds would lead to a change in book value of US$1,567,904 (2019: US$1,007,600).

Interest rate risk

Interest rate risk is the potential adverse impact on future cash flows, assets and liabilities from changes in interest rates and arises from the differing interest rate risk characteristics of the Bank's assets and liabilities. To measure the changes in interest rates, UBA UK calculates the present value, based on future cash flows out to five years, by a sudden parallel shift of +/- 200 basis points. The impact on the profit and loss from this sensitivity analysis is US$ 2,145,000 (2019: US$1,384,000)

	2020	2019
Sensitivity	**US$'000**	**US$'000**
Increase of 200bps	(2,145)	(1,384)
Decrease of 200 bps	2,145	1,384

Foreign currency risk

Revenues, assets and liabilities are primarily in the functional currency US dollar. However, as the Bank is a UK entity its operating expenses are in Sterling. To mitigate foreign exchange risk, the Bank considers the economic benefits of hedging exposure arising from operating expenses by entering into forward foreign exchange transactions, sets foreign exchange limits for individual currencies and ensures that any collateral held against obligations is held in the relevant currency. Furthermore, the Bank manages foreign exchange risk arising from its foreign exchange transactions with UBA Group subsidiaries and third parties by entering into equal and opposite transactions with acceptable financial institutions.

The carrying amounts of the Bank's foreign currency exposure at the reporting date to proceeds from investments in Nigerian Treasury Bills and associated hedges was as follows:

NTBs Net Exposure		**2020**			**2019**	
	Exposure	**Hedge**	**Net Exposure**	**Exposure**	**Hedge**	**Net Exposure**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Nigerian Naira (NGN)	37,199	23,460	13,739	20,243	20,425	(182)
	37,199	23,460	13,739	20,243	20,425	(182)

The Bank's overall net foreign exchange exposure at the reporting date was as follows:

Net foreign exchange exposures	**2020**	**2019**
	US$'000	**US$'000**
Euro (EUR)	1,562	21,147
British Pound (GBP)	1,099	1,384
Nigerian Naira (NGN)	30,499	13,918
Other Currencies	66	26
United States Dollars (USD)	(34,051)	(36,763)
	(825)	(288)

With the exception of small operating balances in its bank accounts, the Bank's stated risk appetite does not allow for intraday or overnight positions in foreign exchange.

A sensitivity analysis has been carried out on the foreign currency open position using a 1% increase / (decrease) in exchange rates and the foreign currency risk is not considered material.

Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet its contractual obligations. The Bank controls credit risk by setting strict counterparty limits for all obligors. Limits are set after careful consideration of the credit profile for each counterparty and the present market environment. The counterparties which the Bank transacts with are mainly Tier 1 African Financial Institutions with acceptable external credit ratings.

The Bank adopts a 6 Credit Quality Step (CQS) grading approach when assessing counterparty risk, with 1 being excellent and 6 unrated. For added transparency, the CQS ratings correspond to their Moody's ratings in the tables below.

At the reporting date, UBA UK was exposed to four counterparties in the trade finance portfolio. Two counterparties had a CQS of 5 whilst the other two had a CQS of 6. All were expected to repay their loans within the credit period given.

The treasury fixed income portfolio had three investment securities each with a CQS of 3. The high-quality liquid asset bond portfolio had a CQS of 1.

The Bank's exposure to credit risk is the carrying amount of fixed income holdings, loans issued, financial assets including investment securities and contingent liabilities. A significant portion of trade finance loans and contingent liabilities activities in 2020 were cash collateralised.

Risk limits and details of risk identification, measurement, monitoring and management, including regulatory capital requirements, are governed by strict internal policies.

The Bank's maximum exposure to credit risk is as follows:

	2020		
	Exposure	Collateral	Net exposure
	US$'000	US$'000	US$'000
Cash at bank	44,722	-	44,722
Loans and advances to banks	77,202	(71,430)	5,772
Investment securities	119,082	(30,400)	88,682
Other assets	983	-	983
	241,989	(101,830)	140,159
Financial commitments:			
Confirmed letters of credit	32,679	(27,781)	4,898
Loan commitment	2,646	-	2,646
	35,325	(27,781)	7,544

	2019		
	Exposure	Collateral	Net exposure
	US$'000	US$'000	US$'000
Cash at bank	23,286	-	23,286
Loans and advances to banks	111,003	(97,396)	13,607
Investment securities	80,125	(20,000)	60,125
Other assets	1,420	-	1,420
	215,834	(117,396)	98,438
Financial commitments:			
Confirmed letters of credit	17,399	(8,976)	8,423
Loan commitment	222	-	222
	17,621	(8,976)	8,645

The collateral held against investment securities is in the form of a cash deposit from companies within the UBA Group.

The letters of credit above comprise confirmed and issued letters of credit and are the maximum amounts that the Bank could be required to settle on presentation of documents.

The Banks gross exposures before collateral under the 6 Credit Quality Step (CQS) grading approach are as follows:

Assets	Credit quality step	2020 US$'000	2019 US$'000
Cash at bank			
Rated AAA to AA-	1	44,668	11,259
Rated BBB+ to BBB-	4	7	12,001
Rated B+ to B-	5	47	26
		44,722	23,286
Loans and advances to banks			
Rated B+ to B-	5	72,793	108,644
Unrated	6	4,409	2,359
		77,202	111,003
Debt instruments at amortised cost			
Rated B+ to B-	5	40,693	23,868
		40,693	23,868
Debt instruments at fair value			
Rated AAA to AA-	1	73,743	50,007
Rated B+ to B-	5	2,646	6,250
		76,389	56,257
Collective Investment Undertaking (CIU)			
Rated AAA to AA-	1	2,000	-
Rated B+ to B-	5		
		2,000	-
Contingent liabilities			
Rated B+ to B-	5	34,532	16,752
Unrated	6	793	869
		35,325	17,621

Concentration risk

Exposures are highly concentrated by country, industry sector and counterparty as a result of the Bank's historical role within the UBA Plc group. The Bank's main counterparty was UBA Plc, causing counterparty concentration risk as reflected by the Herfindahl-Hirschman Index (HHI) to be high. There is a legally effective and enforceable netting agreement with UBA Plc which substantially reduces the net exposure.

Liquidity risk

Liquidity risk is the risk that the Bank is not able to meet its financial obligations as they fall due. The Bank's exposure to liquidity risk is limited as trade assets are match funded. To ensure intra-day liquidity risk is mitigated, the Bank has introduced a robust pre-transaction approval process to ensure funding is in place, previous day's trades are settled, and upcoming assets are repaid at maturity. The Bank held HQLA assets at fair value through other comprehensive income of US$75.612m as at 31 December 2020 (2019: US$49.825m) which provided a liquidity buffer.

The Bank uses four internal liquidity stress tests and calculates an implied Liquidity Coverage Requirement. Liquidity risk measurement and management are outlined in and governed by strict internal policies.

The following tables detail the Bank's expected maturity for its financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest earned on those assets and undiscounted cash flows of financial liabilities including interest payable based on the earliest date which the Bank can be required to pay. The tables include both interest and principal cash flows. The inclusion of information on financial assets and liabilities is necessary to understand the Bank's liquidity risk management as liquidity is managed on a net asset and net liability basis.

	Less than 1 month US$'000	1 - 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	More than 5 years US$'000	Total US$'000
Assets 2020						
Cash at bank	44,722	-	-	-	-	44,722
Loans and advances to banks	22,306	52,024	3,400	-	-	77,730
Investment securities	2,008	9,074	97,409	12,797	-	121,288
	69,036	61,098	100,809	12,797	-	243,740
Liabilities 2020						
Deposits from banks	67,399	12,494	110,019	1,234	-	191,146
Deposits from customers	13,469	-	-	-	-	13,469
Derivative financial instruments	-	-	172	-	-	172
	80,868	12,494	110,191	1,234	-	204,787
Financial commitments Letters of credit	13,105	10,517	10,469	1,234	-	35,325

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Operational risk has been reduced by the introduction of enhanced Risk Control Self-Assessment and Control Assurance Testing procedures, upgraded system and additional experienced staff. The Bank believes that operational risk is adequately assessed, monitored and managed.

29. Related party transactions

Key management personnel compensation

	2020 US$'000	2019 US$'000
Short term benefits for employees	2,147	2,189

Key management personnel are defined as those having responsibility for planning, directing and controlling the activities of the Bank and include members of the Executive Committee and the Company Secretary.

Transactions with related parties

The following represent notional amounts that were transacted with the parent and fellow subsidiaries:

	2020	2019
	US$'000	US$'000
Foreign exchange transactions	3,296,623	2,869,880
Trade related transactions	306,422	325,539
	3,603,045	3,195,419

Contingent liability outstanding with related parties

The following off-balance sheet items are letters of credit outstanding at the end of the reporting period in relation to transactions with related parties:

	2020	2019
Contingent liabilities	US$'000	US$'000
Amount due from parent bank	30,631	14,484
Amount due from fellow subsidiaries	842	1,425
	31,473	15,909

Loans to/from related parties

A number of banking transactions were entered into with related counterparties within the UBA Bank Plc group in the normal course of business. These include loans and deposits. Outstanding balances at the year end and related party income for the year are as follows

	2020	2019
	US$'000	US$'000
Amount due from parent bank	71,430	97,396
Amount due from fellow subsidiaries	5	848
	71,435	98,244

	2020	2019
	US$'000	US$'000
Amount due to parent bank	154,129	140,601
Amount due to fellow subsidiaries	31,456	20,991
	185,585	161,592

	2020	2019
Interest income	US$'000	US$'000
Amount due from parent bank	5,348	5,268
Amount due from fellow subsidiaries	55	86
	5,403	5,354

Interest expense	2020 US$'000	2019 US$'000
Amount due to parent bank	4,569	4,935
Amount due to fellow subsidiaries	1,876	1,467
	6,445	6,402

Loans from UBA Plc were transacted on terms equivalent to those that prevail in an arm's length transaction.

30. Parent undertaking and controlling party

The immediate parent bank and ultimate controlling party is UBA Plc, a bank incorporated in Nigeria. UBA Plc owns 100% (2019: 100%) of the share capital of UBA UK.

Details of fellow subsidiaries and representative offices of the UBA group and copies of the group annual report and accounts may be obtained from United Bank for Africa Plc, 57 Marina, Lagos, Nigeria or on the group website: www.ubagroup.com