United Bank for Africa (UK) Limited

Pillar 3 Disclosures as at 31st December 2020

Contents

1. Overview

1.1 Introduction

The Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD") (together referred to as CRD IV) came into force on 1st January 2014. CRD IV, which is enforced in the UK, together with local implementing rules and guidance, by the Prudential Regulation Authority ("PRA"), has the objective of improving the banking sector's ability to absorb shocks arising from financial and/or economic stress, thus reducing the risk of spill over from the financial sector into the wider economy.

CRD IV also sets out disclosure requirements relevant to banks and building societies under CRR Part Eight. These are known as Pillar 3 disclosures because they complement the minimum capital requirements in Pillar 1 and the supervisory review and evaluation process in Pillar 2. The Pillar 3 disclosures are aimed at promoting market discipline by providing information on risk exposures and the management of those risks.

This document, therefore, comprises the Pillar 3 disclosures on capital and risk management as at 31st December 2020 for United Bank for Africa (UK) Limited ("UBA UK" or the "Bank"). It has the following two principal purposes:

- To provide information on the capital and risk profile of UBA UK; and
- To meet the regulatory disclosure requirements under the Capital Requirements Regulation (EU) No 575/2013 ("CRR"), Part 8 – Disclosure by institutions and the rules of the Prudential Regulation Authority ("PRA") set out in the Public Disclosure section of the PRA Rulebook and as the PRA has otherwise directed.

1.2 Background

UBA UK was originally established in 1995 under the name Afrinvest Securities Ltd and was ultimately fully acquired by United Bank for Africa Plc ("UBA" or "Parent") via UBA Capital Holdings Ltd in 2013. The Parent is incorporated in Nigeria, quoted on the Nigerian Stock Exchange and is one of the largest financial services group on the African continent. As at end of 2020, the UBA Group had total assets of US$20.2 billion with a RoAE of 17.2% and is the fourth largest bank in Nigeria (by assets) with a 14% market share.

UBA has a large footprint across the globe operating in 20 African countries: Republique du Benin, Burkina Faso, Cameroun, Congo Brazzaville, Congo DRC, Cote d'Ivoire, Gabon, Ghana, Guinea, Kenya, Liberia, Mali, Mozambique, Nigeria, Senegal, Sierra Leone, Tanzania, Tchad, Uganda and Zambia. The Bank also operates in the United Kingdom and United States of America and has a presence in Paris.

UBA UK received authorisation to commence wholesale banking operations on 19th March 2018. It is authorised by the Prudential Regulatory Authority ("PRA") and regulated by both the PRA and the Financial Conduct Authority ("FCA").

UBA UK has no retail activity and is focused mainly on providing trade finance, treasury and correspondent banking services to financial institutions, government entities and corporates with a focus on Africa. The Bank does not have any subsidiaries or associates.

The Bank complies with Basel III, as implemented through the Capital Requirements Directive IV and more specifically by Regulation (EU) 575/2013 as amended. Basel III is based on a 'three pillars' approach:

a) **Pillar 1:** Minimum capital requirements

The Bank follows a simplified approach to Pillar 1 as follows:

- **Credit risk (Standardised Approach)**: Regulatory capital requirements are calculated by multiplying the value of the Bank's exposure by a standardised risk weight. The risk weight is determined by the credit rating of the counterparty, the type of counterparty and exposure type.
- **Operational risk (Basic Indicator Approach)**: Regulatory capital is calculated at 15% of the average gross operating income over the previous 3 years.
- **Market risk (Standardised Position Risk Requirement)**: The main components are foreign currency positions and the regulatory capital is calculated by applying a Standardised Position Risk Requirement to total foreign currency positions.

b) **Pillar 2:** Supervisory review process

Under Pillar 2 of the Basel III requirements, UBA UK undertakes a self-assessment of its internal capital requirements under the Internal Capital Adequacy Assessment Process ("ICAAP"). The PRA supplements this with its Supervisory Review and Evaluation Process ("SREP") to determine whether the additional capital under Pillar 2 is adequate.

c) **Pillar 3:** Market disclosure and discipline

The Bank is required to make certain disclosures to encourage market transparency and discipline. The aim is to allow market participants assess key information on the Bank's capital, risk exposures and risk assessment processes.

1.3 Policy

This document has been prepared in accordance with the requirements of BIPRU, Chapter 11. Disclosures are on a standardised basis unless otherwise stated.

The disclosures contained in this document cover both qualitative and quantitative requirements in accordance with the requirements of the Capital Requirements Regulations.

1.4 Frequency and Reference Date

The Directors, having taken into account the size and complexity of the Bank's operations, believe that an annual disclosure is appropriate. The frequency of disclosure will be reviewed should there be a material change in any approach used for the calculation of capital, business structure or regulatory requirements. UBA UK does not currently meet any of the indicators included within EBA Guidelines Title V – considerations regarding the need to assess the disclosure of information more frequently than annually. The capital position of UBA UK remained consistently strong throughout 2020 and there have been no changes to the relevant characteristics of the Bank's business (such as scale of operations, range of activities, presence in different countries, involvement in different financial sectors, and participation in international financial markets and payment, settlement and clearing systems) to impact the position. This document, in conjunction with the 31st December 2020 Annual Report and Accounts (available on the Bank's website), represents the Bank's annual public Pillar III disclosure for the financial year ended 31st December 2020.

1.5 Location and Verification

These disclosures have been reviewed by ExCo and approved by the Board on *08th July 2021*. The disclosures are not subject to external audit except where they are also included as accounting disclosure requirements in the Bank's Annual Report and Accounts.

The report is available on the UBA UK website at https://www.ubagroup.com/uk or by request.

2. Risk Management Objectives and Policies

2.1 Risk Appetite

Risk management is focused on the needs of the Bank's stakeholders with particular emphasis on customers. Products and services are primarily focused on the following markets and segments:

- Correspondent Banking: Providing services to banks in Africa to facilitate trade finance and treasury services.
- Government: Providing services to African governments, parastatals and other state enterprises.
- Corporates: Providing trade finance services including letters of credit, loans, bill discounting, foreign exchange and payments.
- Embassies, Multilaterals and Development Organisations (EMDOs): Providing banking and treasury services to qualifying EMDO clients who are dealing with and in Africa and require a pan-African Bank to support their projects and donor flows.

Risk appetite is a top down articulation of the quantum of risk that the Board of Directors ("Board") is prepared to accept in relation to the Bank's business strategy. This Risk Appetite is articulated by the Bank in the Risk Appetite Statement which is reviewed and approved annually by the Board. UBA UK's Risk Appetite forms a central tenant of the Bank's strategic plan.

Exposures and other risks are monitored on an ongoing basis for adherence to these disclosures.

2.2 Risk Governance Structure

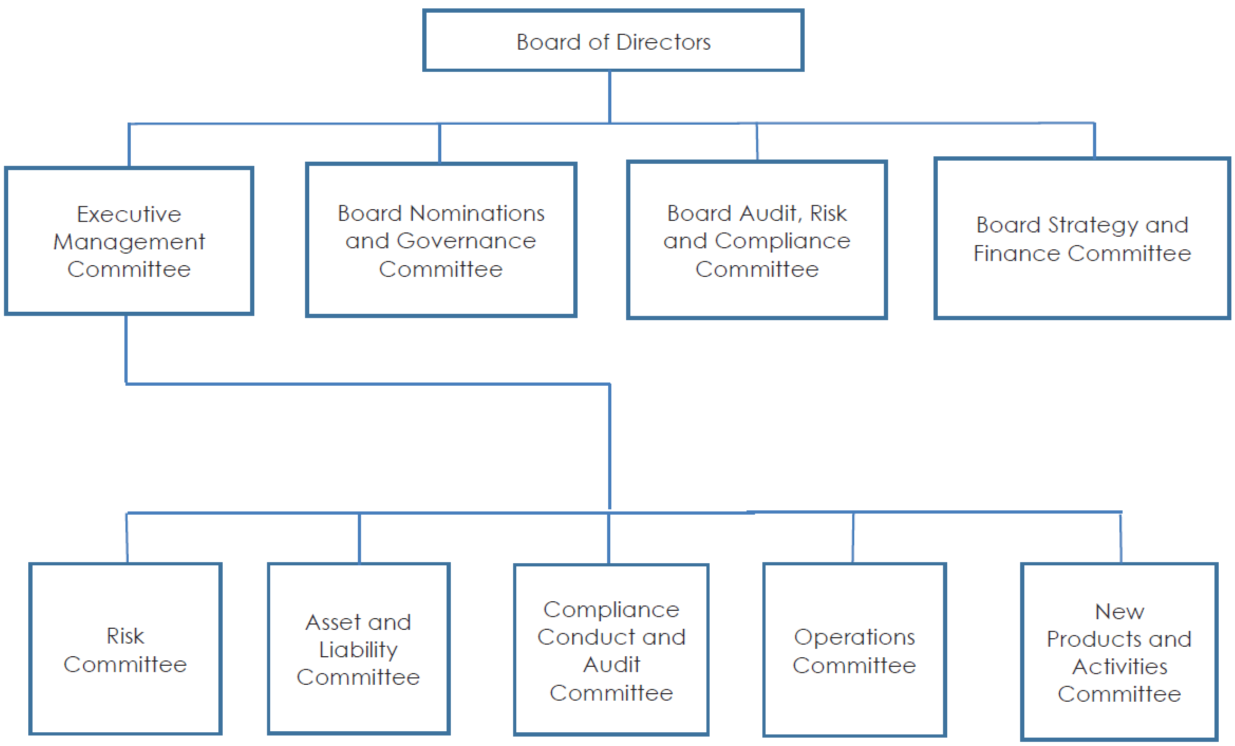
The Bank's overall approach to risk governance is articulated in its Risk Management Framework which is reviewed and approved annually by the Board.

The Board is ultimately accountable for determining the Bank's strategic direction and its risk appetite, overall management, and for establishing and monitoring the effectiveness of its corporate governance framework. Membership of the Board consists of eight Non-Executive Directors and one Executive Director.

The Board meets at least on a quarterly basis and more frequently should the need arise. Day to day management responsibilities are delegated to the Executive Management Committee

("ExCo"), which comprises of the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Executive Director, Risk and Compliance and the Head of Human Resources, and supported by the Head of Legal & Company Secretary.

The Board and ExCo are supported by several Board Committees. All Committees, except the BSFC, are chaired by an INED. A summary of the committee structure is provided below. The formal committee structure, including terms of reference and membership, is maintained centrally and any changes are approved by either the Board or ExCo as appropriate.



The main roles and responsibilities of the committees shown in the above diagram are as follows:

a) Board Audit Risk and Compliance Committee ("BARCC")

The BARCC comprises 3 Independent Non-Executive Directors and 2 Non-Executive Directors. The Committee considers all areas of risk management including amongst others credit, operational, market, liquidity risks and cybersecurity, and oversees the Bank's Compliance function. In addition, the Committee oversees the production of risk related governance analysis, e.g. Internal Capital Adequacy Assessment Process ("ICAAP"), Internal Liquidity Adequacy Assessment Process ("ILAAP"), Recovery Plan and the Resolution Pack, stress testing, new products, and overdue / watch-listed accounts. The Committee also considers matters relating to Internal and External Audit, Conduct, Internal Controls, Financial Control and Business Risks.

b) Board Nominations and Governance Committee ("BNGC")

The BNGC comprises 3 Independent Non-Executive Directors, Shareholder representative and 3 other Non-Executive Directors. The Committee considers all governance related matters, remuneration and staffing, appointments and nominations, performance, and training. It reviews the composition of the Board and engages a broad set of qualities and competencies when recruiting to the Board; which enable it to discharge its duties effectively. The Committee also enhances the Bank's governance through a continuing assessment of the approach to corporate governance and maintenance of the highest standards of conduct and ethics.

c) Board Strategy and Finance Committee ("BSFC")

The BSFC comprises 1 Independent Non-Executive Director, 3 Non-Executive Directors and 1 Executive Director. The Committee considers the development and implementation of the Bank's strategic business plan, the financial position and results, systems and infrastructure needs, outsourced functions and insurance cover.

d) Executive Management Committee ("ExCo")

ExCo is responsible for carrying out the day-to-day management of the business and operational strategies established by the Board.

e) Executive Risk Committee ("RC")

The RC is the primary management risk oversight body covering amongst others, credit, counterparty, operational, market, liquidity, capital, people and technology (including cybersecurity) risks. It also monitors key risk indicators, the operational risk events register, approves counterparty and country credit reviews, product programs and reviews early warning indicators.

f) Asset & Liability Committee ("ALCO")

ALCO has overall responsibility for managing the Bank's balance sheet within the defined risk/return parameters set by the Board. It considers the changing global economic outlook, reviews the various portfolios and positions, stress test results, capital adequacy, liquidity, operational risk events, regulatory and systems issues, as well as pipeline deals and the impact on the balance sheet.

g) Compliance Conduct & Audit Committee ("CCAC")

CCAC reviews regulatory developments, the status of due diligence reviews, the compliance monitoring program, gifts and hospitality, financial crime, conduct and regulatory responsibilities and audit matters. It ensures good compliance management to protect the Bank from reputational damage, financial loss and/or regulatory penalties.

h) New Products & Activities Committee ("NPAC")

NPAC considers new product papers and activities as required from time to time. It ensures that new products are within the Bank's strategic business plan and risk appetite, that systems and controls are in place, and that products meet customers', regulatory and conduct requirements.

i) 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.

2.3 Three Lines of Defence

UBA UK's risk management framework is based on "three lines of defence model". Under this model, responsibility and accountability for risk management resides with all levels within the Bank:

- First Line of Defence (the business) - Provides management assurance by identifying risks and changes in risk circumstances, suggesting corrective actions, implementing controls and reporting on progress. Primary responsibility for day-to-day management and monitoring of risk lies with all staff according to the scope of their direct responsibilities. Department heads are accountable for risk management in their respective businesses and functions. Risk owners for each risk type are listed in the Bank's Risk Register.

- Second Line of Defence (oversight) - Provides oversight over business processes and risks and comprises the risk controllers, e.g. Risk, Compliance and Finance functions, various committees and management. The risk controllers are responsible for implementing policies and the oversight, monitoring, reporting and management of risks according to the scope of their responsibilities. These responsibilities cut across the Bank and are not constrained by functional boundaries. Risk controllers for each risk type are listed in the Bank's Risk Register.

- Third Line of Defence (independent assurance). These are the independent or third-party assurance providers. UBA UK's Internal Audit function provides independent and objective assurance on the overall effectiveness of the Bank's risk management framework and reports to the BARCC. The function is outsourced to a professional firm, however, UBA UK retains overall oversight and accountability. The BARCC monitors the effectiveness of "third line" activities.

- Further independent assurance is provided by the Bank's external auditors and UBA Plc Group Internal Audit, who both report to the BARCC.

3. Capital Resources

The table below details the total capital resources of the Bank as at 31st December 2020. The Bank's Own Funds entirely consist of Common Equity Tier 1 (CET1) capital. The adjustments made to the capital base to comply with regulatory rules are shown under the regulatory capital adjustments section of the below table.

OWN FUNDS	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Common Equity Tier 1 capital		
Share capital	60,246	60,246
Share premium account	201	201
Accumulated losses	(15,060)	(15,061)
FVOCI reserve	(356)	(140)
Total capital per statutory accounts	45,031	45,246
Regulatory capital adjustments		
Intangible assets	(2,329)	(2,597)
Unaudited gains/losses	(3,823)	(595)
IFRS 9 transitional adjustments	490	394
Additional valuation adjustments	(78)	(56)
Other adjustments		(14)
Total CET1 capital after transitional adjustments	39,290	42,377
Total own funds	39,290	42,377

3.1 Leverage Ratio

The leverage ratio was introduced under Regulation EU 575 / 2013 (Article 451) as part of the Basel III reforms to provide a simple, transparent, non-risk-based ratio intended to limit the build-up of leverage in the banking sector.

The leverage ratio is calculated as the ratio of Tier 1 capital to the exposure values of assets. Assets are disclosed on a gross basis and are not reduced by credit risk mitigation. Banks are expected to maintain a minimum leverage ratio of 3%.

LEVERAGE RATIO	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Total assets per statutory accounts	247,143	221,582
Off balance sheet commitments [1]	17,396	8,805
Regulatory adjustments	1,618	(2,237)
Total exposure measure	266,156	228,151
Institutions	44,682	23,259
Corporate	85,238	122,863
Central government and central banks	94,670	53,795
Multilateral development banks	15,028	15,074
Retail	0	11
Other exposures	11,551	6,995
Off balance sheet commitments [1]	17,396	8,805
Assets deducted	(1,918)	(2,260)
Exposure value of assets	266,646	228,544
CET 1 capital	39,290	42,377
Leverage ratio	15%	19%

[1] after Credit Conversion Factor (CCF)

The leverage ratio is considered to be conservative and remained relatively stable throughout the year.

4. Capital Adequacy

4.1 Capital Management

Regulatory capital is calculated in accordance with the requirements of the CRR. The Bank holds sufficient capital resources at all times to support its risk assets and business strategy both in normal trading conditions and in times of stress. Capital adequacy is considered during the budgeting and planning process and thereafter is monitored on an ongoing basis. Regulatory capital requirements are formally reviewed by the Board at least quarterly.

In assessing the adequacy of its capital, the Bank considers its business plans and risk appetite to ensure the capital is sufficient for the risks to which the Bank is exposed.

The Bank regularly reports its capital adequacy to the regulators with capital adequacy ratios remaining comfortably above minimum requirements.

4.2 Internal Capital Adequacy Assessment Process

On an annual basis, or more frequently if required, the Bank prepares an ICAAP which is an internal assessment of the Bank's risk profile and its capital needs, designed to address the capital requirements under Pillar 2 of the Basel framework. The ICAAP identifies the risks associated with the business plan and highlights additional capital or management actions that would be put in place in respect of each risk. Detailed stress tests are performed that consider the effect of these risks and the outputs of the stress tests are carefully reviewed. A reverse stress test scenario is deliberately designed to determine which combination of stress factors would cause UBA UK's business model to become unviable. Management and the Board have input into the stress models and the final ICAAP is challenged and subjected to comprehensive review before approval by ExCo and the Board. At the highest level, UBA UK uses the ICAAP as a mechanism for keeping capital requirements under ongoing review both to ensure compliance with regulatory requirements but also to understand the risk and capital implications of any changes to the strategy.

Specifically, it uses the ICAAP for three primary purposes:

- Capital planning;
- For identifying risks inherent within the business model; and
- To assist in the management and mitigation of those risks on an ongoing basis.

4.3 Regular Stress Testing

The Bank performs regular stress tests on its capital adequacy and liquidity positions under a range of sensitivities and scenarios. The variables cover relevant risks to which the Bank is exposed and include both macro-economic and firm-specific scenarios, and they are regularly updated to assess the impact on the Bank's risk profile, capital resources and liquidity.

Liquidity stress tests are performed daily. In addition, periodic ad-hoc stress tests are performed as required by executive management or ALCO.

Detailed results of stress tests are presented to ALCO, including the impact of the stress scenario on the Bank's capital requirements, capital resources, profitability and future strategy.

As part of its risk management process, and in line with regulatory requirements, the Bank carries out reverse stress testing. This is a process that identifies the point at which the Bank's business model becomes unviable and the scenarios and circumstances which might cause this to occur are identified.

4.4 Pillar 1 Minimum Capital Requirement

The Pillar 1 capital amount is comprised of Credit Risk Capital using the Standardised approach, Market Risk Capital using the Position Risk Requirement for Foreign Exchange, and Operational Risk Capital using the Basic Indicator approach.

The table below sets out the aggregate Pillar 1 minimum Capital Resource Requirement:

PILLAR 1 MINIMUM CAPITAL REQUIREMENT	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Credit risk	3,834	4,188
Market risk	720	367
Operational risk	1,012	870
Minimum Capital Resource Requirement	5,566	5,425
Total own funds	39,290	42,377
Excess of own funds over minimum capital requirement	33,724	36,952

The following table illustrates the total minimum capital requirement for credit risk, after credit risk mitigation, as calculated using the Standardised Approach at 8% of total risk weighted assets:

	Year ended 31 Dec 2020		Year ended 31 Dec 2019	
EXPOSURE CLASSES	Risk Weighted Assets $'000	8% own funds requirement $'000	Risk Weighted Assets $'000	8% own funds requirement $'000
Institutions	8,936	715	4,652	372
Corporates	25,351	2,028	43,151	3,452
Central government and central banks	6,500	520	200	16
Multilateral development banks	-	-	-	-
Collective investment undertakings	-	-		
Public sector entity	-	-	-	-
Retail	-	-	8	1
Other	7,143	571	4,341	347
Total	47,930	3,834	52,353	4,188

5. Risk Measurement, Mitigation and Reporting

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 (including concentration risk), market risk (mainly currency and interest rate risk), operational risk and liquidity risk. In addition to these risks, the Bank is also exposed to other risks including Strategic Risk, Regulatory Risk, Conduct Risk and Reputational Risk. The significant risks are detailed below:

5.1 Credit Risk

Credit risk is the risk of 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. Risk appetite limits are set to withstand stressed conditions during the credit cycle. Concentrations that may arise are managed within the credit risk framework. Credit mitigation techniques, including collateral and set-off, are used to manage credit risk.

The credit policy and procedures include details on processes, lending authorities, large exposures, concentration risks and the use of external credit ratings and collateral.

a) Credit Risk Management

The business units are responsible for day to day credit risk management with oversight by the Risk Department, the Executive Risk Committee and the Board Risk Committee. The primary responsibilities are to:

- Implement and maintain a credit risk management framework, systems and policies complemented by a risk modelling and stress testing framework. Changes to the framework and policies are approved by the relevant risk committees.
- Ensure consistency and alignment to credit appetite, adherence to credit risk policies and procedures, risk acceptance criteria, single obligor limits, and risk reporting.
- Consider, approve or decline all new credit applications and annual reviews within delegated authority, ensuring that the relevant policies and procedures have been followed.
- Review of the overall credit risk portfolio, the actual positions versus limits and risk acceptance criteria.
- Review of any past due and non-performing exposures, provisions and impairments, assess whether such provisions are adequate, and recommend appropriate recovery strategies and actions.

b) Credit Risk Assessment

This process involves an analysis of the ability of a borrower to meet its repayment and other obligations and collateral may be taken to provide additional comfort. An internal credit risk rating system has been developed to provide a scorecard to assist with the credit decision process. The internal rating model is regularly reviewed and benchmarked against external ratings where possible.

Country risk is separately assessed, and exposure limits are set based mainly on economic and political criteria.

Approved counterparty limits, country limits, facility and collateral documentation must be completed before drawdown on approved facilities is permitted.

Facilities for related entities are assessed and monitored on a group basis for determining credit and large exposure limits. Credit risk mitigation techniques may be used to reduce concentration risks.

c) Credit Risk: Standardised Approach

Capital requirements for credit risk exposures are calculated using the Standardised Approach.

In cases where credit quality is weighted using prescribed credit quality steps, these bands are mapped to ratings provided by External Credit Assessment Institution ("ECAI"). Ratings from ECAIs will usually be available for the following exposure classes:

- Central Government and Central Banks.
- Multilateral Development Banks.
- Financial Institutions.
- Larger corporates.

The tables below provide details of exposure amounts by exposure class:

	Year ended 31 Dec 2020		Year ended 31 Dec 2019	
EXPOSURE CLASSES	**Exposure value before credit risk mitigation** $'000	**Exposure value after credit risk mitigation** $'000	**Exposure value before credit risk mitigation** $'000	**Exposure value after credit risk mitigation** $'000
Institutions	44,682	44,682	23,259	23,259
Corporates	120,029	20,819	140,215	34,102
Central government and central banks	95,615	65,215	53,995	35,031
Multilateral development banks	15,028	15,028	15,074	15,074
Collective investment undertakings	2,000	2,000		
Public sector entities	0	-	259	-
Retail	0	0	11	11
Other	7,143	7,143	4,342	4,342
Total	284,497	154,887	237,156	111,820

The below table shows the distribution of exposures by geographical location.

GEOGRAPHICAL REGION	**Year ended 31 Dec 2020** $'000	**Year ended 31 Dec 2019** $'000
Africa	156,936	159,639
USA	57,025	34,831
Asia	-	-
Western Europe	55,509	27,612
Others	15,028	15,074
Total	284,497	237,156

The Bank extends credit facilities to rated and unrated counterparties. Investment grade exposures include high quality liquid assets and money market placements with well rated financial institutions.

Exposure amounts for each credit quality category are:

	Year ended 31 Dec 2020		Year ended 31 Dec 2019	
ECAI RATING	Exposure value before credit risk mitigation $'000	Exposure value after credit risk mitigation $'000	Exposure value before credit risk mitigation $'000	Exposure value after credit risk mitigation $'000
AAA to AA-	75,743	75,743	49,906	49,906
A+ to A-	44,675	44,675	11,259	11,259
BBB+ to B-	7	7	12,001	12,001
BB+ to BB-	-	-	-	-
B+ to B-	156,929	27,319	159,639	34,302
CCC+ and below	-	-	-	-
Unrated	7,143	7,143	4,353	4,353
Past due items	-	-	-	-
Total	284,497	154,887	237,156	111,820

The table below shows the residual maturity breakdown of the Bank's exposure classes at 31st December 2020:

Year ended 31 Dec 2020 EXPOSURE CLASSES (amounts in $'000)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Undated	Total
Institutions	44,682	-	-	-	-	44,682
Corporates	29,952	67,382	18,752	3,944	-	120,029
Central government and central banks	809	9,041	85,765	-	-	95,615
Multilateral development banks	-	-	5,005	10,023	-	15,028
Collective investment undertakings	2,000					
Public sector entities	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Other	-	-	-	-	7,143	7,143
Total	77,442	76,423	109,521	13,967	7,143	282,497

Year ended 31 Dec 2019 EXPOSURE CLASSES (amounts in $'000)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Undated	Total
Institutions	23,259	-	-	-	-	23,259
Corporates	26,773	86,555	15,492	11,395	-	140,215
Central government and central banks	-	20,007	33,988	-	-	53,995
Multilateral development banks	-	-	-	15,074	-	15,074
Public sector entities	259	-	-	-	-	259
Retail	-	-	11	-	-	11
Other	-	-	-	-	4,342	4,342
Total	50,292	106,562	49,491	26,469	4,342	237,156

d) Credit Risk Mitigation

The Bank has in place various techniques to reduce credit risk to minimize potential loss. The main source of risk mitigation has been collateral received in the form of cash. The Bank ensures that risk mitigations must be legally enforceable and effective in the relevant jurisdictions. Netting is not considered a form of credit risk mitigation unless, where permitted, such as for appropriately documented foreign exchange transactional relationships, this allows obligation in favour of the Customer and the Bank to be settled on a net rather than a gross basis.

e) Expected Credit Loss ("ECL")

The ECL framework, under IFRS 9, requires banks to recognise a loss allowance at an amount equal to the 12-month ECLs for those financial instruments where there had been no significant increase in credit risk since initial recognition, and a lifetime ECL where a significant increase in credit risk had been witnessed or where the financial instrument is credit impaired.

As at 31 Dec 2020, the Bank had an ECL provision complying to the IFRS 9 standards across its assets and off-balance sheet commitments with no assets categorised as impaired.

5.2 Market Risk

Market risk is the risk that changes in market conditions may adversely impact the value of assets, liabilities or earnings and covers four main areas:

- Interest rate risk;
- Foreign currency risk;
- Commodity position risk; and
- Equity position risk.

The objective of market risk management is to ensure market risk exposures remain within acceptable parameters, whilst earning a return.

Market risk in UBA UK comprises interest rate risk and 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.

The table below summarises the impact on income of a 200-basis point increase or decrease in the interest rates for all exposures as at 31st December 2020, if all other variables remain constant, in line with FSA017.

Year ended 31 Dec 2020	**200 basis point increase**	**200 basis point decrease**
	(64)	65
Year ended 31 Dec 2019	**200 basis point increase**	**200 basis point decrease**
	61	(20)

b) Foreign Currency Risk

Foreign exchange exposure arises from foreign currency balances including, nostro accounts, bonds, trade loans and collateral. 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. The Board sets limits for the net open position monitored by Treasury.

The table below gives details of the net foreign currency exposures and the impact of a 5% increase and decrease in exchange rates.

Year ended 31 Dec 2020 (amounts in $'000)	**EUR**	**GBP**	**Other currencies**	**Total**
Net Foreign Currency Exposure	817	1,099	7,082	8,999
Impact of 5% increase in US$ exchange rate	41	55	354	450
Impact of 5% decrease in US$ exchange rate	-41	-55	-354	-450

Year ended 31 Dec 2019 (amounts in $'000)	**EUR**	**GBP**	**Other currencies**	**Total**
Net Foreign Currency Exposure	(3,137)	1,498	(1,419)	(3,058)
Impact of 5% increase in US$ exchange rate	-157	75	-71	-153
Impact of 5% decrease in US$ exchange rate	157	-75	71	153

Historical volatilities together with forward looking assumptions are used when performing sensitivity analysis on net foreign currency exposures.

c) Commodity Position Risk

This risk arises from adverse changes in commodity prices. The Bank currently is not exposed to commodity price risk.

d) Equity Position Risk

This risk arises from adverse change in the price of stocks and shares. The Bank currently is not exposed to equity price risk, either directly or indirectly.

5.3 Liquidity Risk

The ALCO manages the Bank's liquidity position to ensure that all funding obligations and commitments can be met when due. In addition, the regulators set minimum liquidity parameters which are monitored. The policy of the Bank is to match the maturities and currencies of assets and liabilities as far as practicable.

Liquidity ratios are set out below. The Liquidity Cover Ratio ("LCR") is the ratio of High-Quality Liquid Assets ("HQLA") to net cash outflows over the next 30 days. The Net Stable Funding Ratio ("NSFR") is the ratio of available funding to required funding over the next 12-months.

RATIOS	**Year ended 31 Dec 2020**	**Year ended 31 Dec 2019**	**Minimum requirement**
Liquidity Coverage Ratio	413%	499%	100%
Net Stable Funding Ratio	137%	221%	100%

A comprehensive annual review of liquidity requirements is performed through the Internal Liquidity Adequacy Assessment Process ("ILAAP").

5.4 Operational Risk

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

Operational risk 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 Executive Director Risk and Compliance 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.

6. Asset Encumbrances

An asset is considered encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

As at 31st Dec 2020, the Bank does not have any repo transactions and none of its assets were encumbered.

7. Remuneration Policy

The overarching principle of the Bank's approach to remuneration is to strike a fair and reasonable balance between incentivising and retaining employees and meeting the expectations of the shareholder, whilst remaining competitive in the UK market.

The remuneration policy seeks to align employee behaviours to the Bank's core values and ensure the Bank meets its commitment to equal pay, gender pay and non-discrimination.

Regulatory requirements are followed including the Remuneration Code (SYSC 19D) and Pillar 3 Disclosures on Remuneration under BIPRU 11.

The Bank is classified as a proportionality Tier 3 firm under the PRA Supervisory Statement SS2/17 which sets out the disclosures required under the Remuneration Code. As such, the Bank has adopted a proportionate approach to remuneration, dis-applying certain provisions where appropriate in line with FCA guidance. Regulatory changes are closely monitored to ensure compliance and best practice.

7.1 Setting the Remuneration Policy

The BNGC is responsible for the implementation and annual review of the Remuneration Code. Governance of all remuneration matters lies with the BNGC which oversees the remuneration policy and remuneration of senior management and employees as well as the Executive and the Non-Executive Directors of the Board. The final recommendations are ratified by the Board of Directors.

The BNGC meets every quarter and comprises of 2 Non-Executive Directors and 3 Independent Non-Executive Directors. The Non-Executive Directors are regarded as being independent and to possess the necessary skills to exercise the appropriate judgement. The BNGC is supported by the CEO and the Head of Human Resources who attend by invitation. Other Board members, senior employees or external advisors are also invited to attend meetings, as and when required.

Independent consultants are not used for the determination of remuneration policy.

7.2 Pay and Performance

The Bank's Remuneration Policy reflects the objectives of good corporate governance as well as supporting Bank strategy. It aims to provide a comprehensive package that is aligned and relevant to the external market, the requirements of the job role as well as affordability consideration. Whilst pay is linked to performance criteria, individual targets are not solely based on sales targets and both financial and non-financial criteria are set and agreed in advance with regular performance reviews undertaken.

A discretionary bonus plan is in place for the benefit of employees. Payments are aligned to the overall performance of the Bank rather than to individual performance. All bonuses are paid in cash through the payroll. This bonus plan is regularly reviewed and updated to ensure rewards are consistent with expected values and behaviours. This includes incentives to promote risk management, organizational performance, appropriate conduct and individual accountability.

Bonus awards under the scheme qualify as "variable remuneration" as defined in the Code[1]. Guaranteed bonuses are not part of the Bank's current discretionary bonus arrangements.

The Code requires that banks identify relevant senior executives and material risk takers and designate them as Code Staff. As a Tier 3 firm, restrictions do not currently apply to the remuneration of such staff in terms of deferral or method of payment following the guidelines set by the regulators.

The table below sets out the remuneration awards that have been made to Identified Staff - classified as being all Senior Management Function holders (13); other Senior Managers and other Material Risk Takers (6).

[1] an *employee* whose professional activities have a material impact on the *firm's* risk profile, including any *employee* who is deemed to have a material impact on the *firm's* risk profile in accordance with the EU's Regulatory Technical Standards (RTS) on the identification of material risk takers (604/2014).

	Year ended 31 Dec 2020			Year ended 31 Dec 2019		
		Renumeration type			Renumeration type	
	No of Staff	Fixed	Variable	No of Staff	Fixed	Variable
		$'000	$'000		$'000	$'000
Senior Management	11	2,068	70	12	2,099	172
Material Risk Takers (MRT)	14	1,457	45	12	1,084	35
Total	25	3,525	115	24	3,183	207

No deferred remuneration was paid or remains outstanding. During 2020, a severance payment of £35k was paid to a member of senior management y. The Bank is required to complete an annual High Earners Return to the FCA to advise them of staff whose remuneration is over €1m. The Bank does not have any staff who qualify as high earners under the FCA definition and therefore a nil return has been submitted for 2020.

A summary of staff categories and their roles as at 31st December 2020 is given below:

	Year ended 31 Dec 2020		Year ended 31 Dec 2019	
	No of Staff	%	No of Staff	%
Customer facing	7	19%	7	20%
Control	12	31%	13	37%
Support	19	51%	15	43%
Total	38	100%	27	100%