UNITED BANK FOR AFRICA (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2021

Company Registration number 03104974

CONTENTS

1. OFFICERS AND PROFESSIONAL ADVISORS

Directors
The directors of the Bank who were in office during the year and up to the date of signing the financial statements were:

Kennedy Uzoka
John Coulter
Uche Ike
Chiugo Ndubisi
Ian Greenstreet
Alexander Trotter
Adeleke Adeyemi (appointed 7 April 2021)

Company secretary
Ololade Adekunle-Sanusi

Registered office
36 Queen Street
London
EC4R 1BN

Bankers
Standard Chartered Bank
Citibank

Solicitors
Fox Williams LLP

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

Company registration number
03104974

Company 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" or "Group"). UBA Capital (Europe) Limited was renamed 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 principally involved in financing trade flows between the UK and Africa by advising and confirming letters of credit, providing trade loans and foreign currency services.

UBA Group

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

Kennedy Uzoka – Chairman and 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

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 Group. Prior to this role he was the General Manager of UBA New York Branch.

Committees

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

United Bank for Africa (UK) Limited

Adeleke Adeyemi – Chief Executive Officer

Mr. Adeyemi was appointed in April 2021. He is an experienced banker with over 22 years' experience in Audit, Consulting, Asset Trading and Balance sheet management, combined with exposure to enterprise risk management in Africa, North America, and Europe. Prior to his current role as the CEO of UBA (UK) Limited, he was at various times the MD/CEO (Designate) of UBA Kenya, Executive Director - Business Development of UBA (UK) Limited and Head, Group ALM/Treasury Africa of UBA Plc with oversight responsibility for the treasuries in the then 18 African subsidiaries of UBA Group.

Committees

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

Attendee

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

Attendee

Board Strategy and Finance Committee

Alexander 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. 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:

- High Chief Samuel Oni (Resigned as Chairman and Director on 31 July 2021)
- Alex Romer-Lee (Resigned as a Director on 31 July 2021)
- Daniel Marx (Resigned as an Executive Director on 16 April 2021)

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 18 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

Operations Committee
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 18 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

United Bank for Africa (UK) Limited

Alexandre Alves – Head of Compliance & MLRO

Alex has a background in compliance within financial services with specific technical experience and knowledge of managing financial crime risk. Alex has implemented compliance frameworks, monitoring plans, new financial crime policies and procedures, as well as embedding a risk-based financial crime culture through awareness and training.

Alex has held several compliance roles at various financial institutions, including BNP Paribas, Bank of America and ICBC London. Alex is a qualified Certified Fraud Examiner (CFE) and a Certified Anti-Money Laundering Specialist (ACAMS).

Committees

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

Attendee

Board Audit, Risk and Compliance Committee

Chika Patrick – Head of Human Resources

Chika is the Head of Human Resources and a member of the Bank's executive management team. In this role, he is responsible for the formulation and execution of the people strategy, aligning people to the business agenda. A seasoned HR professional with over a decade experience across a variety of industries.

Before joining UBA UK, Chika served as the Global HR Lead at Sendwave where he was responsible for the development and execution of the HR strategy aimed at fostering a collaborative and high-performance culture. Previously he held Senior HR Business Partnering positions at GSMA, Man Group Plc, Barclays Bank, and American Express.

Chika holds a Biomedical Science degree from Sunderland University and an MBA from the University of Strathclyde and is a member of the Chartered Institute of Personnel 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

Deji Adeyelure – Chief Financial Officer

Deji joined the Bank in March 2021. He is a finance professional with extensive experience in strategic finance, business strategy and financial control. His work experience spans several industries, with stints in audit, telecoms, investment, and commercial banking. Deji has worked across multiple jurisdictions in Finance, Business and Regulatory roles. He is a fellow of the Association of Certified Chartered Accountants, and the Institute of Chartered Accountants of Nigeria. He holds degrees in Accounting and Applied Accounting from the University of Lagos and Oxford Brookes University in the UK.

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

The year 2021 was largely characterised by slow recovery in the global economy due to the widespread disruption caused by the Covid-19 pandemic. Global financial markets responded positively to the development and distribution of Covid-19 vaccines and therapeutics, and as a result, the impact of the pandemic was lower than it had been in the previous year, despite concerns over new variants that were emerging.

The banking industry was negatively impacted as the recovery witnessed was tempered by economic headwinds of inflation and significant global supply chain challenges. However, UBA UK continued to operate effectively and achieved operational resilience in the face of several lockdowns instituted by the Government to mitigate the spread of new variants of Covid-19.

In spite of the global macroeconomic challenges we faced, I am delighted to report that the Bank's operations continued uninterrupted and with muted impact of the headwinds.

The primary focus of UBA UK remained, to strengthen its banking and operating platforms and to support the projected growth from the revised strategy. The Bank had a successful year, as it grew its client base, and broadened its product and service offerings, thereby achieving significant growth in its business performance indicators. Furthermore, UBA invested significantly in technology, implementing several new systems and strengthening its cybersecurity capabilities.

From the Group's perspective, UBA UK continues to play an important role in delivering the UBA Group's overarching objective 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 as well as its international presence in the US, France and the UK, the UBA Group is clearly well positioned to support its clients globally. UBA UK is of particular strategic importance to the Group in achieving these aspirations by leveraging its presence in London to support African corporates, commodity traders and institutions looking for an international bank to facilitate 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 with superb execution capabilities and a good understanding of the African continent.

The implementation of the revised strategy ensured that the Bank managed to improve on all operating indices, achieving a break-even position in Q4 2021. However, the upturn of performance in the second half of the year was not sufficient to erase the losses and the Bank posted a loss of US$1.05m (2020: US$3.81m). The Bank expects to continue in this trajectory and targets sustainable profitability in 2022 and beyond.

The Bank's Board, Executive Management and staff remain fully committed to building a strong and sustainable banking subsidiary in London.

I would like to thank our Shareholders for their enduring support, as well as the Board of Directors for their selflessness, diligence and for guiding the Bank throughout the year. I would also like to extend my appreciation to our regulators for their constant support.

Lastly, and most importantly, I want to thank our customers for entrusting their business to UBA UK throughout the year 2021.

Kennedy Uzoka
Chairman and Non-Executive Director
Date: 12 April 2022

4. STRATEGIC REPORT

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

The global economy in 2021 was characterised by varying levels of recovery in financial markets from the coronavirus pandemic. This was largely tied to the successful development and deployment of Covid-19 vaccines and despite the rise of new variants, there remains a general optimism across the global markets of the reduction in the overall pandemic impact on business. The speed and quantum of government and central bank policies in developed economies helped mitigate the broader effects of business slowdown. Concurrently emerging market economies were relatively stable as business within our operating markets responded positively to increased productivity and trade.

During Q4 2021 in our parent market Nigeria, Nigeria Gross Domestic Product (GDP) grew by 3.98% (year-on-year), on the back of sustained growth since the recession witnessed in 2020. Commodities also saw significant appreciation especially in oil prices, as futures reached $94 a barrel, the highest values since 2014. Oil prices are currently at $114 per barrel (March 2022) as the impact of the geopolitical tensions in eastern Europe continue to put pressure on global oil supply.

The pace of the recovery and overall expenditure led to inflation headwinds, coupled with a challenging supply chain disruption across key markets, impacted the recovery rate across global markets.

Despite the challenging global operating environment and the consequent impact on the Bank's performance, UBA UK successfully navigated the difficulties from the pandemic and growing inflationary trends. Furthermore, the Bank made significant advancements in its strategic plan to build a sustainable and profitable franchise focusing on the financial institution and 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 one 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 aids 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.

UBA UK is a highly 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

The UBA UK strategic plan earmarked a return to profitability in 2021 on the back of increased trade and transactions in focus markets. However, the slow pace of recovery and impact of Covid-19 related challenges meant a shift of focus to reach break-even and build a platform to support the robust growth expectations for 2022. The Bank was relatively successful in this phase of implementation of the strategic plan and continues to invest in its business model and across the three pillars of people, systems, and processes.

People

UBA UK continues to focus on the well-being of its staff, as a paramount platform for the execution of its strategy. The Bank has successfully navigated the pandemic and challenges from remote working, by investing extensively in various tools and equipment to ensure optimum service levels. Several initiatives were instituted to improve staff engagement, and collective well-being, in conjunction with building an enabling environment to support a healthy work life balance.

The Bank continued to invest in expanding and broadening its employee base and focused on strengthening the front office and compliance functions to support the growth in operations in 2021.

Systems

The Bank continued to invest in various aspects of its technology environment to ensure that its systems can support the expected growth and provide a compelling service delivery to the Bank's clients. 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 remains robust and strong and is aligned to the Bank's strategic plan and its growth ambitions.

2021 Business Review

Despite the green shoots of recovery witnessed in 2021, the Bank was impacted by the economic overhang from the Covid-19 pandemic, which affected overall financial performance. The focus from the strategic plan was to take the Bank back to profitability, from its previous loss-making position. However, due to the anaemic economic environment, the Bank closed the financial year with a loss before tax of $1.05m (2020: Loss before tax of $3.81m), which represents a significant improvement from prior year, but below the profitability threshold target. Total assets increased 111% year on year from US$247.14m in 2020 to US$522.54m in 2021 and operating income increased by 47% from US$6.1m in 2020 to US$8.9m in 2021. 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 of ensuring sustainable profitability and stable capital growth. The revised strategic intent was adopted with immediate effect and the performance in 2021 highlighted the relative success and has now positioned the Bank for a profitable 2022.

2021 Financial Performance

The Bank saw its operating income increase by 47% year-on-year, with net interest income increasing by 45%, and non-interest income increasing by 60%. The increase in both interest and non-interest income is on the back of the growth of business in the year while adjusting to the new reality (pandemic).

United Bank for Africa (UK) Limited

US$'000	2021	2020
Operating income	8,900	6,058
Net interest income	7,468	5,164
Non-interest income	1,432	894
Total Costs	9,947	9,868
Loss before tax	(1,047)	(3,810)
Equity	39,492	41,208
Total assets	522,537	247,143
Return on total assets	-0.20%	-1.54%
Capital adequacy ratio	34%	60%
Liquidity coverage ratio	361%	413%

Throughout the year the Bank stabilized its investment in its workforce and its technology environment, which is reflected in the marginal increase in operating expenses by 0.8%. The growth in income and stability of expenses meant that the Bank closed with a loss before tax of US$1.05m as compared to a loss before tax of US$3.81m in 2020.

The Bank ended the year with total assets of US$522.54m as we grew the trade asset portfolio in line with recovery in the economy. The asset base increased by 111%, whilst its liability base increased by nearly 135% as compared to the 2020 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 US Treasuries and securities issued by qualifying Multilateral Development Banks, while overnight balances are maintained with investment grade rated international financial institutions.

During 2021, bond investments consisted of Eurobonds issued by Sub Saharan financial institutions and investment in Nigerian Treasury Bills (NTBs). 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 would have been 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 2021. The Bank has completely exited its NTB investments and does not envisage reinvesting in this product in the near future due to inherent convertibility challenges with the Naira.

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 2021. As at the reporting date it had no overdue or in arrears exposures. All exposures are classified as Stage 1 for IFRS 9 purposes. Nevertheless, the Bank continues to adopt a weighted average approach to the calculation of its expected credit loss under IFRS 9.

Shareholder's 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 2021, we believe the Bank has performed well and will come out of the downturn a stronger and more robust financial institution. The Bank continues to invest in its business model and platform across the three pillars of people, systems, and processes and 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 a 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.

We have assessed the impact of the geopolitical crises in eastern Europe and do not foresee any significant challenges in our current and future business model with respect to the Russian/Ukraine conflict. However, we have increased our risk monitoring processes to ensure we remain independent of possible geopolitical shocks.

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 daily 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.

This strategic report has been approved by the board and is signed by a director on behalf of the board.

Adeleke Adeyemi

Chief Executive Officer

Date: 12 April 2022

5. DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements for United Bank for Africa (UK) Limited ("UBA UK" or "the Bank"), for the year ended 31 December 2021.

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 by providing financial services to international and sub-Saharan African banks, corporations, institutions, and international organizations. The Bank is principally involved in financing trade flows between the UK and Africa by advising and confirming letters of credit, providing trade loans and foreign currency services.

UBA UK extends its product offerings to UBA Plc and other subsidiaries within the UBA Group, and continues to receive support, financial and otherwise, from the Group.

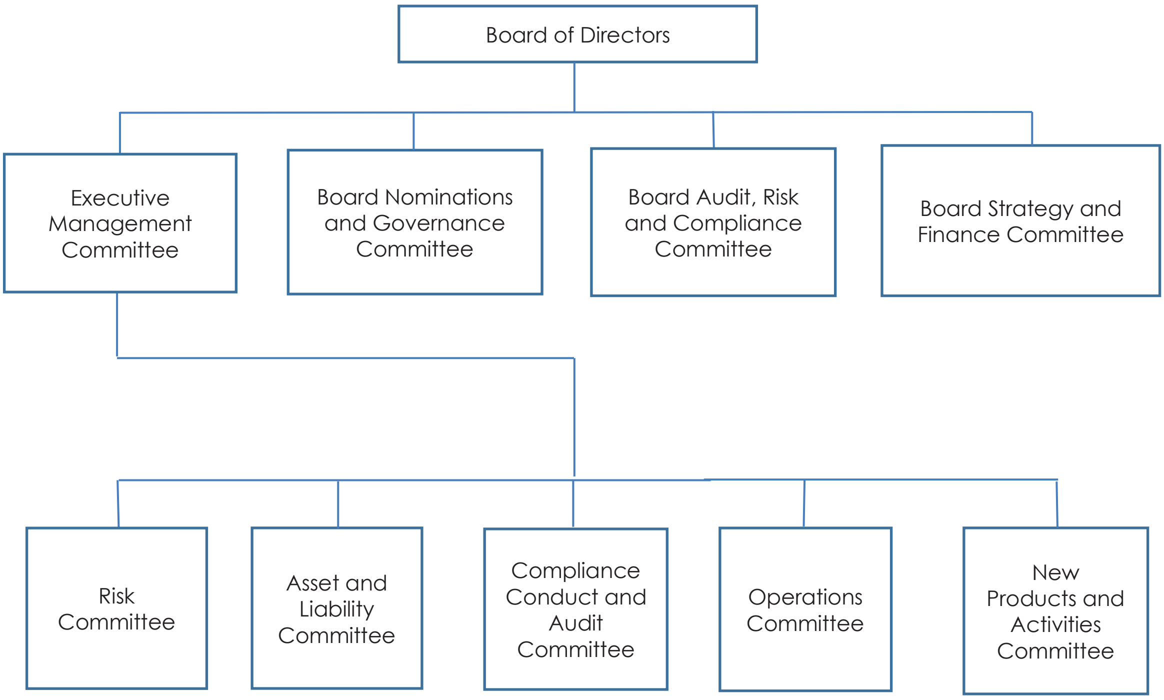
Corporate Governance

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 two (2) Independent Non-Executive Directors ("INED"), four (4) Non-Executive Directors ("NED"), and one (1) Executive Director ("ED"), the Bank boasts of a robust and sound governance structure that guides and oversees its activities.

The Directors' duties include providing strategic direction, expertise and oversight while the INEDs bring creative contribution to the Board by providing independent oversight and constructively challenging executive management towards achieving corporate objectives. 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, its 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 five (5) 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 four (4) 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 four (4) directors and is chaired by a NED. It meets at least four times per year.

The Board composition as at the 31 December 2021 was as follows:

Board Member	Sub-Committee Member	Status
Mr Kennedy Uzoka Chairman		NED
Mr John Coulter	BARCC BNGC – Chair	INED
Mr Ian Greenstreet	BARCC - Chair BNGC	INED
Mr Uche Ike	BARCC BNGC BSFC - Chair	NED
Mr Adeleke Adeyemi	BSFC	CEO
Mr Chiugo Ndubisi	BNGC BSFC	NED
Mr Alexander Trotter	BNGC BSFC	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 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 Chief Risk Officer (CRO) and meets monthly.

- Risk Committee ("RC")

  The RC reports to the EXCO and has been delegated the responsibility to manage and monitor all the risks faced by Bank across all businesses. 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 CRO 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, technology infrastructure, systems, resources processes and procedures. The OPCO is charged with the responsibility of ensuring that the technology environment of the Bank is appropriate for the delivery of its strategic plan and 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 Chief Operating Officer (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 CEO 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 27.

- 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, 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 by 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-to-Income ratio, while a measure of diversification is the Non-interest Income to Total income ratio. The ratios are detailed in the table below:

	2021	2020
Pre-tax return on equity	-3%	-9%
Cost to income ratio	112%	163%
Non-Interest income to total income	16.1%	14.8%
Return on total assets	-0.20%	-1.54%

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 its 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, which is internationally recognised as a mark of strong information security management with a robust business continuity framework.

UBA UK, like many others, adopted hybrid working at various stages during 2021 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.

The bank continues to assess its third-party risks and its addressing these through robust policies and procedures relating to outsourcing of critical and material third parties.

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 earlier mentioned, 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, is 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. When providing finance, UBA UK shall act as an agent of change in our customer's business practices by incorporating Environmental and Social considerations. UBA UK shall design all its credit forms and credit approval processes and procedures to ensure that issues that relate to sustainability are taken into consideration before a facility is granted to a customer. UBA UK shall:

- Ensure that the Credit Risk Culture includes an adequate *tone from the top* and that credit is granted to borrowers considering the impact on sustainability, and related environmental, social and governance (ESG) factors.
- Incorporate ESG factors and associated risks in the Credit Risk Appetite and risk management policies, credit risk policies and procedures, adopting a holistic approach.
- For loans or borrowers associated with a higher ESG risk, a more intensive analysis of the actual Business Model of the borrower is required, including a review of current and projected greenhouse gas emissions, the market environment, supervisory ESG requirements for the companies under consideration, and the likely impacts of ESG regulation on the borrower's financial position.
- The Credit Decision shall be clear and well documented and include all the conditions and pre-conditions, including those to mitigate the risks identified in the creditworthiness assessment, such as risks associated with ESG factors, for the loan agreement and disbursement.
- Where the Bank takes possession of collateral, it may be faced with fines, fees or legal suits relating to Social or Environmental damages resulting from such collateral. To this end, collaterals shall be examined with a view to determining their Environmental and Social effects.
- Be responsible for ensuring that these principles are integrated into the bank's processes by the Risk Management department.
- Engage with its customers to encourage good environmental and social risk management practices and to promote sustainable best practices.

- Ensure that Environmental and Social considerations are included in engagement agreements to ensure the risks are monitored and on- going compliance adhered to.

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.

UBA UK's Libor Transition Arrangements

The impact of the LIBOR transition on the Bank is deemed to be modest, mainly due to the Bank's limited, vanilla and short-dated product offering. As of 31 December 2021, the Bank had no transactions whose prices referenced LIBOR with tenors beyond the end of 2021.To manage the transition, UBA UK via its Libor Transition Working Group, progressed efforts aimed at implementing systems and process updates to support a seamless transition to replacement price benchmark risk free rates ("RFRs"). Recognising the efforts and enhancements applied, the material risks associated with the migration to RFRs have been mitigated and UBA UK does not expect to experience any significant market disruption during 2022.

Further IBOR disclosures are in the Risk management note 27.

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 a consideration of its 2021 performance and the impact on capital and liquidity in 2022. This review also considered that the Bank reacted quickly and decisively to post pandemic events in 2021, the loss after tax of US$1.05 million, and that implementation of the revised strategy was well underway and running concurrent with the complete exit of loss-making legacy NTB investments. It is reasonable to conclude that the Bank will continue to operate 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 2021.

Results & Dividends

The Bank's loss for the year after taxation amounted to US$1.05m (2020: loss after tax US$3.81m). The Directors do not recommend the payment of a dividend for the year ended 31 December 2021.

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 (2020: Nil).

Future developments

Details on future developments of the Bank 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 Bank'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 Bank'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 auditors

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.

By order of the Board and on behalf of the Board,

....	………………......................................
Adeleke Adeyemi	**Ololade Adekunle-Sanusi**
Chief Executive Officer	**Company Secretary**
Date: 12 April 2022	**Date: 12 April 2022**

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 UK-adopted international accounting standards.

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 Bank and of the profit or loss of the Bank for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards 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 Bank will continue in business.

The directors are responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Directors' confirmations
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 Bank's auditors are unaware; and,
- they have taken all the 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 Bank's auditors are aware of that information.

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's ('the Bank's')'s financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows 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.

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

Our audit approach

Overview

Audit scope

- 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 area 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.

Key audit matters

- The valuation of the receivable from the parent entity, United Bank for Africa Plc.

Materiality

- Overall materiality: US$3,889,000 (2020: US$2,470,000) based on 0.75% of total assets (2020: 1% of total assets).
- Performance materiality: US$2,917,000 (2020:US$1,852,000).

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.

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 impact of Covid-19, which was a key audit matter last year, is no longer included because the impact on the Bank has been limited and we do not consider this to represent an area of increased audit attention in its own right. Otherwise, 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$307m (59%) (2020: US$71m, 29%) of the total assets on the balance sheet. Under IFRS 9 'Financial Instruments', management is required to assess the expected credit loss on this receivable. In previous years there have been delays in repayment of this receivable, due to challenges for UBA Plc in converting Nigeria Naira into US Dollars.	We independently confirmed the amount receivable by the Bank to the corresponding payable by UBA Plc with UBA Plc. We reviewed payments from UBA Plc and obtained evidence of regular payments through the year. We obtained management's IFRS 9 expected credit loss calculation, which has resulted in a US$ 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 setoff. The payable balance to UBA Plc is greater than the receivable, supporting the value of the 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 Financial Statements: Note 13 - Loans and advances to banks.*	Based on the evidence obtained, we found the valuation of the receivable from the parent entity to be materially stated.

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$3,889,000 (2020: US$2,470,000).
How we determined it	0.75% of total assets (2020: 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 0.75% has been used in the current year to reflect the Bank's regulatory permission to accept deposits and the significant increase in the Bank's assets in the year, compared to as at 31 December 2020.

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% (2020: 75%) of overall materiality, amounting to US$2,917,000 (2020: 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$194,000 (2020: US$123,000) 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 and 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 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which out 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 ('PRA') and Financial Conduct Authority ('FCA'), and we considered the extent to which non-compliance might have a material effect on the financial statements such as 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 the potential for manual journal entries being recorded in order to manipulate financial performance. Audit procedures performed by the engagement 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 FCA and the PRA 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.

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.

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

Following the recommendation of the Board Audit Risk & Compliance Committee, 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 9 years, covering the years ended 31 December 2013 to 31 December 2021. The audit was retendered 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
12 April 2022

8. FINANCIAL STATEMENTS

8.1. Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 US$'000	2020 US$'000
Interest receivable and similar income		16,513	11,695
Interest expense		(9,045)	(6,531)
Net interest income	4	7,468	5,164
Fee and commission income	5	1,624	410
Credit impairment loss	26	(1,288)	(236)
Other income	6	1,096	720
Operating income		8,900	6,058
Staff costs	7	(5,680)	(5,246)
Administrative expenses	8	(2,008)	(1,621)
Other operating expenses	9	(1,494)	(2,215)
Depreciation and amortisation	15/16	(765)	(786)
Loss before taxation		(1,047)	(3,810)
Taxation	11	(0)	(13)
Loss for the year		(1,047)	(3,823)
Other comprehensive income/ (expense)			
Items that may be reclassified to profit and loss			
Hedging derivative unrealised gain/(loss)		172	(73)
Net loss on financial assets measured at FVOCI		(841)	(142)
Total comprehensive expense		(1,716)	(4,038)

All transactions are in respect of continuing operations.

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

8.1. Statement of Financial Position as at 31 December 2021

	Note	DEC 2021 US$'000	DEC 2020 US$'000
Assets			
Cash and cash equivalents	12	55,425	44,722
Loans and advances to banks	13	326,606	77,202
Investment securities	14	133,829	119,082
Property, plant and equipment	15	2,399	2,825
Intangible assets	16	2,066	2,329
Other assets	17	2,212	983
Total assets		522,537	247,143
Liabilities			
Deposits from banks	18	476,448	188,546
Deposits from customers	19	17	13,469
Derivative financial instruments		-	172
Deferred tax liability	20	67	67
Other liabilities	21	6,513	3,681
Total liabilities		483,045	205,935
Equity			
Share capital	22	60,246	60,246
Share premium account		201	201
Accumulated losses		(19,930)	(18,884)
Other reserves		(1,025)	(355)
Total equity		39,492	41,208
Total equity and liabilities		522,537	247,143

The accompanying notes form an integral part of the financial statements. The financial statements on pages 38 to 69 were approved by the board of directors on 8 April 2022 and signed on its behalf by:

……………………………..

Adeleke Adeyemi
Chief Executive Officer
Date: 12 April 2022
36 Queen Street, London EC4R 1BN
Bank Registration No: 03104974

8.3. Statement of Changes in Equity for the year ended 31 December 2021

	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 2021	60,246	201	(183)	(172)	(18,884)	41,208
Loss for the year	-	-	-	-	(1,047)	(1,047)
Other comprehensive (expense)/income	-	-	(841)	172	-	(669)
Balance at 31 December 2021	60,246	201	(1,024)	-	(19,931)	39,492
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

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

8.4. Statement of Cash Flows for the year ended 31 December 2021

	Note	2021 US$'000	2020 US$'000
Cashflows from operating activities			
Loss for the year		(1,047)	(3,823)
Depreciation and amortisation	15/16	765	786
Changes in loans and advances to banks	13	(249,404)	33,801
Changes in other assets	17	(1,228)	438
Changes in deposits from banks	18	287,902	18,729
Changes in deposits from customers	19	(13,452)	11,327
Changes in other liabilities	21	3,115	(382)
Taxation paid	11	-	-
Other non-cash movements		(183)	357
Net cashflows from operating activities		26,468	61,233
Investing activities			
Investment in property and equipment	15	-	(11)
Investment in intangible assets	16	(122)	(121)
Lease payments		(283)	(161)
Purchase of investment securities	14	(15,360)	(39,504)
Net cash outflow from investing activities		(15,765)	(39,797)
Financing activities			
Net cash outflow from financing activities		-	-
Net cash inflow during the year		10,703	21,436
Cash and cash equivalents at 1 January		44,722	23,286
Cash and cash equivalents at 31 December	12	55,425	44,722

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, incorporated, and registered in England and Wales under Companies Act 2006 and is a wholly owned subsidiary of UBA Plc. The registered office is at 36 Queen Street, London EC4R 1BN. 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 under the historical cost convention as modified by financial instruments recognised at fair value through other comprehensive income. The financial statements have been prepared 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 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 regarded as being 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.

  During the year 2021, the Nigerian economy has bounced back from the setbacks seen the previous year, driven by crude oil prices and the pandemic. Towards the end of 2021, GDP advanced by 3.98% year on year. Despite a recovery in oil process, there has been a struggle to meet production targets due to operational challenges and insecurity coming from pipeline vandalism. In Q4 2021, GDP increased 9.31%, following an 11.07% jump in Q3, Nigeria grew by 3.4%, the fastest expansion since 2014.

  Based on the prognosis detailed above and the continued recovery phase of the Nigerian economy, the probability is maintained at 45% for year-end 2021.

- **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.

  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 2021 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.

  Given the background information provided in the base case above, combined with the prolonged impact of the pandemic on developed markets, the probability continues to be at 20% for 2021.

- 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 continuance of the depressed global macroeconomic environment, the probability rating has been kept at 10% for 2021.

Scenario outcomes

In line with the IFRS 9 requirements, the Bank's policy recommends a weighted average approach in computing the ECL.

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 - 31/12/2021	Probability Weighting	ECL Balance - 31/12/2021
Base Case	1,680,075	45%	756,034
Scenario 1	2,344,375	25%	586,094
Scenario 2	2,652,767	20%	530,553
Scenario 3	1,147,494	10%	114,749
			1,987,430

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 year 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with financial institutions.

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. 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 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.

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.

2. New accounting standards

Except for Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), the Bank has no transactions that are affected by the newly effective standards or its accounting policies.

IBOR reform Phase 2 amendments

Interest Rate Benchmark Reform effective for annual periods beginning on or after 1 January 2021 was in response to issues arising from the replacement of interest rate benchmarks. Under these amendments, an immediate gain or loss is not recognised in the income statement where the contractual cash flows of a financial asset or financial liability is amended as a direct result of the rate reform and the revised contractual terms are economically equivalent to the previous terms. These amendments are not expected to have a significant impact on 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

	2021	2020
	US$'000	US$'000
Interest income		
Cash and cash balances	1	29
Loans and advances to banks	12,940	6,379
Investment securities	3,572	5,287
	16,513	11,695
Interest expense		
Loans from banks	(9,030)	(6,514)
Interest on lease liability	(15)	(17)
	(9,045)	(6,531)
Net interest income	7,468	5,164

5. Fee and commission income

	2021	2020
	US$'000	US$'000
Fee and commission income		
Derived from trade finance	2,043	686
Other	22	24
	2,065	710
Fee and commission expense		
Safe custody	438	299
Other	3	1
	441	300
Net fee and commission income	1,624	410

Net fee and commission income of US$1.624m (2020: US$410k) is derived from advising and confirming letters of credit and is net of fees relating to safe custody charges.

6. Other income

	2021	2020
	US$'000	US$'000
(Loss)/gain from disposal of FVOCI bonds	(18)	146
Commission from Bonds Brokerage	204	193
Commission from Foreign Exchange Brokerage	910	381
	1,096	720

7. Staff costs

Staff costs during the year were as follows:

	2021 US$'000	2020 US$'000
Wages and salaries	4,699	4,376
Social security costs	527	460
Other Pension costs	303	251
Other costs and benefits	151	159
	5,680	5,246

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 (2020: US$ Nil).

The monthly average number of employees during the year was 36 (2020: 35), of which 4.25 (2020:8) were customer facing, 6.5 (2020:6.5) in control functions and 25.25 (2020:20.5) employees in administrative roles.

8. Administrative expenses

	2021 US$'000	2020 US$'000
Auditors remuneration:		
Audit of Bank's statutory accounts	179	105
Non - audit services	31	3
	210	108
Consulting fees	307	292
IT software maintenance and support	515	563
Leasing expenses	249	320
Other administrative expenses	727	338
	2,008	1,621

9. Other operating expenses

	2021 US$'000	2020 US$'000
Revaluation Loss	1,494	2,215
	1,494	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:

	2021 US$'000	2020 US$'000
Salaries, fees and other	897	1,233
Pension contributions	33	33
Other benefits	-	8
	930	1,274

The number of directors for whom retirement benefits were accrued under money purchase pension schemes amounted to nil (2020: 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:

	2021 US$'000	2020 US$'000
Total emoluments	368	557
	368	557

There were no share options exercised during the year (2020: Nil) and defined benefit pension scheme in operation.

11. Taxation

	2021 US$'000	2020 US$'000
Analysis of change in year:		
UK corporation tax on profit/(loss) for the year	-	-
Adjustments in respect of prior periods	-	-
Current tax	-	-
Deferred tax	(77)	6
Deferred tax – adjustment in respect of prior period	42	-
Deferred tax- tax rate change on opening balances	35	7
Tax liability	-	13

	2021	2020
	US$'000	US$'000
Factors affecting the tax charge for the year:		
Loss for the year	(1,047)	(3,810)
Loss at standard rate of corporation tax of 19%	(199)	(724)
Expenses not deductible for tax purposes	-	5
Fixed asset permanent differences	8	3
Deferred tax on losses not recognised	1,246	1,004
Remeasurement of deferred tax for changes in tax rates	(1,097)	(275)
Adjustments in respect of prior periods	42	-
Tax liability	-	13

Corporation tax provided was nil (2020: nil). The bank has an unrecognised deferred tax asset of US$ 4,638,856 (2020: US$3,326,343) calculated at 19% of the carried forward trading losses of US$ 18,555,423 (2020: US$ 17,631,820). The bank has not recognised a potential deferred tax asset at 31 December 2021.

12. Cash and cash equivalents

	2021	2020
	US$'000	US$'000
Cash with other banks	55,433	44,732
Less expected credit loss	(8)	(10)
	55,425	44,722

At 31 December 2021 no cash and cash equivalents were impaired (2020: Nil). The maturity profile is disclosed in note 27.

13. Loans and advances to banks

	2021	2020
	US$'000	US$'000
Loans to parent bank	306,616	71,430
Loans to fellow subsidiaries	-	5
Loans to other banks	20,705	5,946
Less expected credit loss	(715)	(179)
	326,606	77,202

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 ECL provision. At 31 December 2021 no loans to banks were impaired (2020: nil). The maturity profile of loans and advances is disclosed in note 27.

14. Investment securities

	2021 US$'000	2020 US$'000
Debt instruments held at amortised cost	33,135	41,008
Debt instruments held at FVOCI	89,500	76,480
Collective Investment Undertaking	12,502	2,000
Total	135,137	119,488
Less ECL impairment provision	(1,221)	(406)
Less FX Movement	(87)	-
Total investment securities	133,829	119,082

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 2021 all investment securities are considered as performing. Debt instruments held at FVOCI are classed as stage 1 for the recognition of ECL allowances. In 2021 no investments were impaired (2020: 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. This is measured at FVPNL.

The maturity profile of investment securities is disclosed in note 27.

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 2021	126	510	1,033	2,826	4,495
Additions	-	5	(5)	-	(0)
Exchange Difference	-	-	-	(31)	(31)
At 31 December 2021	126	515	1,028	2,795	4,464
Accumulated depreciation					
At 1 January 2021	120	487	533	530	1,670
Exchange Difference	-	-	-	(6)	(6)
Charge for the year	3	10	127	262	402
At 31 December 2021	123	497	660	786	2,066
Net book value					
At 31 December 2021	3	18	368	2,009	2,398
Cost					
At 1 January 2020	122	506	1,030	2,719	4,377
Additions	4	4	3	-	11
Reclassifications	-	-	-	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

There are no impairments associated with these assets.

16. Intangible assets

	2021	2020
	US$'000	US$'000
Cost		
At beginning of year	3,530	3,446
Additions	122	121
Reclassifications	(22)	(37)
At end of year	3,630	3,530
Accumulated amortisation		
At beginning of year	1,201	849
Charge for the year	363	352
At end of year	1,564	1,201
Net book value		
At end of year	2,066	2,329

The intangible assets comprise only of software.

17. Other assets

	2021	2020
	US$'000	US$'000
Prepayments and accrued income	412	365
VAT receivable	156	155
Other receivables	1,468	283
Rent deposits	176	180
	2,212	983

18. Deposits from banks

	2021	2020
	US$'000	US$'000
Amounts due to parent bank	459,566	154,129
Amounts due to fellow subsidiaries	1,190	31,456
Amounts due to other banks	15,692	2,961
	476,448	188,546

Intercompany borrowings from the parent and fellow subsidiaries are unsecured. The maturity profile of these deposits is disclosed in note 27.

19. Deposits from customers

	2021	2020
	US$'000	US$'000
Current accounts	17	13,469
	17	13,469

The maturity profile of these deposits is disclosed in note 27.

20. Deferred tax liability

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

	2021	2020
	US$'000	US$'000
At 1 January	67	54
Accrual of provision	-	13
At 31 December	67	67

21. Other liabilities

	2021	2020
	US$'000	US$'000
Lease liability	2,028	2,311
Accrued expenses	423	1,193
Other liabilities	4,019	73
Provision for other liabilities and charges	43	104
	6,513	3,681

22. Share capital

	2021	2020
	US$'000	US$'000
Issued and fully paid:		
43,287,826 ordinary shares of £1 each (2020: 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 2021 is US$39.5m (2020 US$41.2m).

23. Capital management

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 2021 was US$38.3 (2020 US$41.5m).

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.

Capital planning and allocation commences with the annual business plan and budget submissions. Once these have been assessed for capital adequacy, funding and liquidity considerations, EXCO has responsibility for ensuring that these comply with strategic priorities and hurdle rates. The annual budget is approved by the UBA UK Board.

In UBA UK's day to day operations the ICR is used in credit proposals, where the return on capital is compared to the minimum expected returns within the relevant Product Programmes. Higher level capital steering and oversight takes place daily through the use of liquidity, capital and exposure metrics reports. These reports provide:

- Tracking of capital usage against available capital resources;
- Tracking of balance sheet and off-balance sheet exposures, and the resultant risk weighted assets;
- Observing the trend of the leverage ratio;
- Monitoring of the development of the Bank's Tier 1 capital and Capital Adequacy ratios;
- Tracking of key liquidity ratios; and
- Reporting of UBA UK's largest credit exposures against internal and regulatory limits.

Additionally, the above are included within the ALCO report, Risk Committee report, and monthly and quarterly reports to the Board

24. Financial commitments

The Bank has the following commitments under trade finance contracts:

	2021 US$'000	2020 US$'000
Letters of credit (including cash backed)	110,400	32,679
Loan commitment	-	2,646
	110,400	35,325

The sum of US$46.7m (2020: US$23.7m) 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$43,000 (2020: US$104,000). There were no capital commitments.

25. 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:

	Quoted market price Level 1 US$'000	Fair value US$'000
At 31 December 2021		
Debt instruments at fair value	89,118	89,118
Collective Investment Undertaking (CIU)	12,502	12,502
Derivative financial instruments	-	-
	101,620	101,620
At 31 December 2020		
Debt instruments at fair value	76,389	76,389
Collective Investment Undertaking (CIU)	2,000	2,000
Derivative financial instruments	172	172
	78,561	78,561

26. Provisions for expected credit losses (ECLs)

	2021 US$'000	2020 US$'000
Balance as 1 January	699	463
Increase in collective impairment	1,288	236
Balance as 31 December	1,987	699

	2021 US$'000	2020 US$'000
Cash and cash equivalents	8	10
Loans and advances to banks	715	179
Investment securities	1,220	406
Other contingent liabilities	43	104
Closing balance of credit impairment	1,987	699

27. 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 the Bank's 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.

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$7,638,000 (2020: US$2,145,000)

	2021	2020
Sensitivity	**US$'000**	**US$'000**
Increase of 200bps	(7,638)	(2,145)
Decrease of 200 bps	7,638	2,145

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

Net foreign exchange exposures	2021	2020
	US$'000	US$'000
Euro (EUR)	3,938	1,562
British Pound (GBP)	(661)	1,099
Nigerian Naira (NGN)	-	30,499
Other Currencies	47	66
United States Dollars (USD)	(6,204)	(34,051)
	(2,880)	(825)

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 Fitch's ratings in the tables below.

At the reporting date, UBA UK was exposed to seven counterparties in the trade finance portfolio. Five 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 ten investment securities each with a CQS of 5. The high-quality liquid asset 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 2021 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:

	2021		
	Exposure US$'000	**Collateral US$'000**	**Net exposure US$'000**
Cash at bank	55,425	-	55,425
Loans and advances to banks	326,606	(306,616)	19,990
Investment securities	133,829	-	133,829
Other assets	2,212	-	2,212
	518,072	(306,616)	211,456
Financial commitments:			
Confirmed letters of credit	110,400	(108,113)	2,287
Loan commitment	-	-	-
	110,400	(108,113)	2,287

	2020		
	Exposure US$'000	**Collateral US$'000**	**Net exposure 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

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:

	2021	2020
Assets	**US$'000**	**US$'000**
Cash at bank		
Rated AAA to AA-	55,360	44,668
Rated BBB+ to BBB-	37	7
Rated B+ to B-	28	47
	55,425	44,722
Loans and advances to banks		
Rated B+ to B-	324,143	72,793
Unrated	2,463	4,409
	326,606	77,202
Debt instruments at amortised cost		
Rated B+ to B-	32,209	40,693
	32,209	40,693
Debt instruments at fair value		
Rated AAA to AA-	8,156	73,743
Rated B+ to B-	80,962	2,646
	89,118	76,389
Collective Investment Undertaking (CIU)		
Rated AAA to AA-	12,502	2,000
	12,502	2,000
Contingent liabilities		
Rated B+ to B-	109,022	34,532
Unrated	1,378	793
	110,400	35,325

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$93.4m as at 31 December 2021 (2020: US$75.6m) 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 2021						
Cash at bank	55,425	-	-	-	-	55,425
Loans and advances to banks	90,038	218,791	20,248	-	-	329,077
Investment securities	12,502	2,089	103,368	-	-	117,959
	157,965	220,880	123,616	-	-	502,461
Liabilities 2021						
Deposits from banks	103,372	126,871	174,433	75,592	-	480,268
Deposits from customers	17,432	-	-	-	-	17,432
Derivative financial instruments	-	-	-	-	-	-
	120,804	126,871	174,433	75,592	-	497,700
Financial commitments Letters of credit	39,690	39,327	31,383	-	-	110,400

Assets 2020	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
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

Enterprise-wide 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 competent management of the Operational Risk framework and below are highlights of some of the main activities performed during 2021.

Information Security ("IS"): The Head of Operational Risk has worked closely with the COO function and IT to improve the IS risk and control profile within the Bank. Some of the activities performed by Risk Management during 2021 include:

- Business Process Maps were created for the key IS processes in the Bank.
- Control Assurance Tests were developed for IS related controls to ensure that they are operating effectively, thus, helping the Bank to meet the requirements of the ISO27001 certification.
- The Controls Catalogue was reviewed/updated to ensure that our documented IS controls aligned with ISO27001 requirements.
- IS quarterly meetings, facilitated by the COO to improve governance and evidence adherence with the Bank's IS Management System were introduced.
- The outstanding IS Audit findings were all addressed by the COO.

Corona System: A new system called Corona will be used by Operations to help with trade matching and the reconciliation of accounts. Training has been provided to the Treasury Operations team by a representative from Corona and the Bank is at final stages of testing. New Onboarding System (AMLTrac): The IT department has successfully integrated AMLTrac within UBA UK's IT infrastructure. The Compliance Team has worked on a number of risk assessments which have been implemented within AMLTrac including the country risk assessment, product risk assessment, PEP risk methodology and financial crime risk scoring methodology.

MiFID II & Bloomberg Vault: In line with MiFID II and market abuse requirements, the Bank implemented Bloomberg Vault to monitor messages and emails for market abuse and conduct associated risks. Additionally, Compliance was in the process of procuring an external solution to ensure that all mediums of communications are being adequately recorded and monitored, particularly for transactions concluded when dealing on own account and client order services relating to the reception, transmission, and execution of client orders for a period of 5 years.

Prudential Risk (ICAAP/ILAAP): The ICAAP/ILAAP documents were updated for the 2021 financial year, confirming the ability of UBA UK to meet capital and liquidity requirement in the medium to long term. The working group consisting of representation from Treasury, Finance, Risk and Business development worked on the ICAAP/ILAAP under the supervision of the interim CRO and Senior Manager responsible for Financial Risk.

FX Revaluation: An Infosys patch is currently being tested by the Finance department to conclude the automation of recognition of FX revaluation gains.

ECL IFRS 9 Solution: UBA UK have selected Jedox to develop the automated ECL IFRS 9 Solution, which is expected to conclude in the second quarter of 2022.

LIBOR Transition: Project Key tasks and deliverables identified by business areas have been completed apart from a review of the Bank's Vendor Agreements which is currently being conducted by the COO. The migration to risk free rates has been a success and the final Libor Transition Guide paper has been shared with Group Financial Planning.

The overall rating is Medium-High as a result of several risks including People, Technology, Information Security, Change and Manual Processes operating outside of risk appetite. Information Security ("IS") risk remains outside of appetite as there has been a delay in the final development of new Group IS systems. The Bank has commenced a streamlined hiring process to address people risk and is working to conclude the Group IS system deployment which will address the underlying risk factors. The Bank's risk management team is focused on ensuring that the overall operational risk is adequately assessed, monitored and managed.

Phase 2 IBOR impact assessment

In line with the regulatory requirement to transition from LIBOR rates from December 2021, UBAUK undertook an impact assessment on its business and operations. The Bank estimates the impact of IBOT transition to be low.

More specifically as follows:

- Financial impact- the financial impact on UBA UK as a result of implementation of the plan is estimated to be less than US$100k. This includes adverse changes to income, changes to technology and any other related items.
- Impact on customers - no adverse impact on customers is foreseen.
- Impact on market and products - UBA UK holds a modest market share in any specific geographic segment or industry segment. The main specific impact on the market as a result of the LIBOR transition is estimated to be insignificant.

28. Related party transactions

Key management personnel compensation

	2021	2020
	US$'000	**US$'000**
Short term benefits for employees	1,691	2,147

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:

	2021	2020
	US$'000	**US$'000**
Foreign exchange transactions	3,753,487	3,296,623
Trade related transactions	719,870	306,422
	4,473,357	3,603,045

Contingent liability outstanding with related parties

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

	2021	2020
Contingent liabilities	**US$'000**	**US$'000**
Amount due from parent bank	107,091	30,631
Amount due from fellow subsidiaries	1,246	842
	108,337	31,473

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:

	2021	2020
	US$'000	US$'000
Amount due from parent bank	306,616	71,430
Amount due from fellow subsidiaries	-	5
	306,616	71,435

	2021	2020
	US$'000	US$'000
Amount due to parent bank	459,566	154,129
Amount due to fellow subsidiaries	1,190	31,456
	460,756	185,585

	2021	2020
Interest income	US$'000	US$'000
Amount due from parent bank	10,908	5,348
Amount due from fellow subsidiaries	-	55
	10,908	5,403

	2021	2020
Interest expense	US$'000	US$'000
Amount due to parent bank	7,884	4,569
Amount due to fellow subsidiaries	1,040	1,876
	8,924	6,445

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

29. Subsequent events

Post year end, Russia's invasion of Ukraine has had a significant impact on world markets, with sanctions being implemented by many countries who oppose the invasion and Russia. Whilst the Bank has no exposure to Russia, the potential impact of the conflict and sanctions regime on European and global markets and institutions remains uncertain, and as a result, the Bank's business and financial position could be adversely affected.

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% (2020: 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 financial statements may be obtained from United Bank for Africa Plc, 57 Marina, Lagos, Nigeria or on the group website: www.ubagroup.com