



United Bank for Africa (UK) Limited
Pillar 3 Disclosures as at 31st December 2022

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1. Overview

1.1 Introduction

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

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

This document, therefore, comprises the Pillar 3 disclosures on capital and risk management as at 31st December 2022 for United Bank for Africa (UK) Limited ("UBA UK" or "the Bank"). It has the following two principal purposes:

- To provide information on the capital and risk profile of UBA UK; and
- To meet the regulatory disclosure requirements under the Capital Requirements Regulation (EU) No 575/2013 ("CRR"), Part 8 – Disclosure by institutions and the rules of the Prudential Regulation Authority ("PRA") set out in the Public Disclosure section of the PRA Rulebook and as the PRA has otherwise directed. As of 1st January 2022, UK implemented the revised rules on Capital Requirements Regulation 2 ("CRR2") and Capital Requirements Directive V (CRDV).

1.2 Background

UBA UK was originally established in 1995 and is now a 100% subsidiary of United Bank for Africa Plc ("UBA" or "Parent") held via UBA Capital Holdings Ltd. The Parent is incorporated in Nigeria, quoted on the Nigerian Stock Exchange and is one of the largest financial services groups on the African continent. As at 31st December 2022, the UBA Group had total assets of US\$14billion (NG10.9trillion Nigerian) with a return on equity of 19.7%¹.

UBA has a large footprint across the globe operating in 20 African countries: Benin, Burkina Faso, Cameroon, Congo Brazzaville, Democratic Republic of Congo, Cote d'Ivoire, Gabon, Ghana, Guinea, Kenya, Liberia, Mali, Mozambique, Nigeria, Senegal, Sierra Leone, Tanzania, Tchad, Uganda and Zambia. UBA also has a presence in the United States of America, France and the United Arab Emirates. UBA is the only African bank with a deposit taking license in the USA, and in 2022 secured a Category 4 license to operate in the United Arab Emirates.

¹ [UBA-Plc-FY2022-Audited-Results-Earnings-Press-Release.pdf \(ubagroup.com\)](#)

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

UBA UK has no retail activity and is focused mainly on providing financial services to international and sub-Saharan African banks, wholesale 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.

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

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

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

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

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

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

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

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

1.3 Policy

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

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

1.4 Frequency and Reference Date

The Directors, having taken into account the size and complexity of the Bank's operations, believe that an annual disclosure is appropriate. The frequency of disclosure will be reviewed should there be a material change in any approach used for the calculation of capital, business structure or regulatory requirements. UBA UK does not currently meet any of the indicators included within EBA Guidelines Title VIII – considerations regarding the need to assess the disclosure of information more frequently than annually. The capital position of UBA UK remained consistently strong throughout 2022 and there have been no changes to the relevant characteristics of the Bank's business (such as scale of operations, range of activities, presence in different countries, involvement in different financial sectors, and participation in international financial markets and payment, settlement and clearing systems) to impact the position. This document, in conjunction with the 31st December 2022 Annual Report and Accounts (available on the Bank's website), represents the Bank's annual public Pillar III disclosure for the financial year ended 31st December 2022.

1.5 Location and Verification

These disclosures have been reviewed by the Executive Management Committee ("ExCo") and approved by the UBA UK Board on 19th of July 2023. The disclosures are not subject to external audit except where they are also included as accounting disclosure requirements in the Bank's Annual Report and Accounts.

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

2. Risk Management Objectives and Policies

2.1 Risk Appetite

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

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

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

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

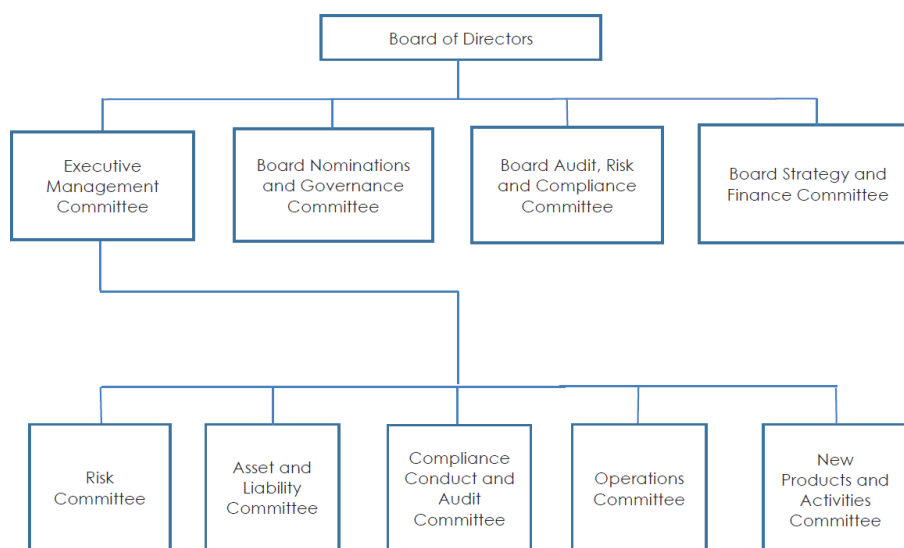
2.2 Risk Governance Structure

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

The Board is ultimately accountable for determining the Bank's strategic direction and its risk appetite, overall management, and for establishing and monitoring the effectiveness of its corporate governance framework. Membership of the Board consists of seven Non-Executive Directors ("NED") (two of which are Independent Non-Executive Directors ("INED")) and one Executive Director. The Chairman of the Board does not act as the Bank's Managing Director/Chief Executive Officer. As at 31st December 2022, some Board members hold a directorship with commercial institutions other than the Bank and the UBA Group. No individual director holds more than either (i) 1 executive and 2 non-executive directorships, or (ii) 4 non-executive directorships in a commercial organisation.

The Board meets at least on a quarterly basis and more frequently should the need arise. Day to day management responsibilities is delegated to ExCo, which comprises of the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Risk Officer, Head of Compliance and MLRO and the Head of Human Resources and supported by the Head of Legal and Company Secretary.

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



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

a) Board Audit, Risk and Compliance Committee (“BARCC”)

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

b) Board Nominations and Governance Committee (“BNGC”)

The BNGC comprises 2 Independent Non-Executive Directors, Shareholder representative and 4 other Non-Executive Directors. The Committee considers all governance related matters, remuneration and staffing, appointments and nominations, performance and training. It reviews the composition of the Board and engages a broad set of qualities and competencies when recruiting to the Board; which enable it to discharge its duties effectively. The Committee also enhances the Bank's governance through a continuing assessment of the approach to corporate governance and maintenance of the highest standards of conduct and ethics. It meets at least four times per year.

c) Board Strategy and Finance Committee (“BSFC”)

The BSFC comprises 4 Non-Executive Directors and 1 Executive Director. The Committee considers the development and implementation of the Bank's strategic business plan, the financial position and results, systems and infrastructure needs, outsourced functions and insurance cover. It meets at least four times per year.

d) Executive Management Committee (“ExCo”)

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

e) Executive Risk Committee (“RC”)

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

f) Asset & Liability Committee (“ALCO”)

ALCO has overall responsibility for managing the Bank's balance sheet within the defined risk/return parameters set by the Board. It considers the changing global economic outlook,

reviews the various portfolios and positions, stress test results, capital adequacy, liquidity, operational risk events, regulatory and systems issues, as well as pipeline deals and the impact on the balance sheet. The ALCO is chaired by the CEO and meets monthly.

g) Compliance Conduct & Audit Committee (“CCAC”)

CCAC reviews regulatory developments, the status of due diligence reviews, the compliance monitoring program, gifts and hospitality, financial crime, conduct and regulatory responsibilities and audit matters. It ensures good compliance management to protect the Bank from reputational damage, financial loss and/or regulatory penalties. Furthermore, the Committee is responsible for overseeing the Bank’s prevention of money laundering, terrorism financing, proliferation financing, sanctions, bribery and corruption tax evasion including oversight of the whistle blowing framework, and Internal Audit. The CCAC is chaired by the Head of Compliance and MLRO and meets monthly.

h) New Products & Activities Committee (“NPAC”)

NPAC considers new product papers and activities as required from time to time. It ensures that new products are within the Bank’s strategic business plan and risk appetite, that systems and controls are in place, and that products meet customers’, regulatory and conduct requirements. The Committee is chaired by the CRO and meets as and when required.

i) Operations Committee (“OPCO”)

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

2.3 Three Lines of Defence

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

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

and management. The risk controllers are responsible for implementing policies and the oversight, monitoring, reporting and management of risks according to the scope of their responsibilities. These responsibilities cut across the Bank and are not constrained by functional boundaries. Risk controllers for each risk type are listed in the Bank's Risk Register.

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

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

3. Overview of risk weighted exposure amounts.

An overview of UBA UK risk weighted exposure amounts is provided in the following table.

Template UK OV1 – Overview of risk weighted exposure amounts				
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		2022	2021	2022
1	Credit risk (excluding CCR)	137,813,079	93,272,178	11,025,046
2	Of which the standardised approach	137,813,079	93,272,178	11,025,046
6	Counterparty credit risk - CCR	20,686	108	1,655
7	Of which the standardised approach	20,686	108	1,655
20	Position, foreign exchange and commodities risks (Market risk)	3,804,405	8,098,575	304,352
21	Of which the standardised approach	3,804,405	8,098,575	304,352
UK 22a	Large exposures	-	-	-
23	Operational risk	15,259,365	12,812,625	1,220,749
UK 23a	Of which basic indicator approach	15,259,365	12,812,625	1,220,749
29	Total	156,897,535	114,183,486	12,551,803

4. Key Metrics

The UBA UK key metrics are provided in the following table. Additional details on relevant metrics are provided in the forthcoming sections on this report.

Key metrics		2022	2021
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	36,513,246	38,317,917
2	Tier 1 capital	36,513,246	38,317,917
3	Total capital	36,513,246	38,317,917
Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	137,833,765	93,272,286
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	23.27	33.56
6	Tier 1 ratio (%)	23.27	33.56
7	Total capital ratio (%)	23.27	33.56
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	5.12	5.12
UK 7d	Total SREP own funds requirements (%)	13.12	13.12
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50	2.50
9	Institution specific countercyclical capital buffer (%)	0.04	0.00
11	Combined buffer requirement (%)	2.54	2.50
UK 11a	Overall capital requirements (%)	16.26	16.22
12	CET1 available after meeting the total SREP own funds requirements (%)	10.15	20.44
Leverage ratio			
13	Total exposure measure excluding claims on central banks	613,889,918	573,663,805
14	Leverage ratio excluding claims on central banks (%)	6	7
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	91,179,217	92,773,320
UK 16a	Cash outflows - Total weighted value	162,714,060	102,670,481
UK 16b	Cash inflows - Total weighted value	122,035,545	77,002,861
16	Total net cash outflows (adjusted value)	40,678,515	25,667,620
17	Liquidity coverage ratio (%)	224.15	361.44
Net Stable Funding Ratio			
18	Total available stable funding	167,040,341	152,043,116
19	Total required stable funding	92,117,147	102,891,413
20	NSFR ratio (%)	181.33	147.77

5. Capital Resources

The table below details the total capital resources of the Bank as at 31st December 2022. The Bank's Own Funds entirely consist of Common Equity Tier 1 (CET1) capital. The adjustments made to the capital base to comply with regulatory rules are shown under the regulatory capital adjustments section of the below table.

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
	\$'000	\$'000
OWN FUNDS		
Common Equity Tier 1 capital		
Share capital	60,246	60,246
Share premium account	201	201
Accumulated losses	(19,930)	(18,883)
FVOCI reserve	(4,631)	(1,025)
Total capital per statutory accounts	35,886	40,539
Regulatory capital adjustments		
Intangible assets	(1,916)	(2,066)
Unaudited gains/losses	11,427	(1,047)
IFRS 9 transitional adjustments	2,636	994
Additional valuation adjustments	(93)	(102)
Total CET1 capital after transitional adjustments	36,513	38,318
Total own funds	36,513	38,318

Subsequent events: UBA UK received capital investment of \$12m from its parent, post year end December 2022.

5.1 Leverage Ratio

The leverage ratio was introduced, as part of the Basel III reforms, to provide a simple, transparent, non-risk-based ratio intended to limit the build-up of leverage in the banking sector.

The leverage ratio is calculated as the ratio of Tier 1 capital to the exposure values of assets. Assets are disclosed on a gross basis and are not reduced by credit risk mitigation. Banks not in scope of the PRA leverage ratio minimum capital requirements are expected to maintain a minimum leverage ratio of 3.25%. As shown below, the leverage ratio is conservative and remained relatively stable throughout the year.

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
	\$'000	\$'000
LEVERAGE RATIO		
Total assets per statutory accounts	596,748	522,537
Off balance sheet commitments ¹	10,603	55,189
Regulatory adjustments	4,812	(5,056)
Total exposure measure	612,164	572,670
Institutions	26,573	51,434
Corporate	451,658	342,682
Central government and central banks	85,207	102,373
Multilateral development banks	5,046	5,008
Retail	0	1
Public sector entity	1,370	0
Other exposures	37,437	18,150
Off balance sheet commitments ¹	10,603	55,189
Assets deducted	(4,003)	(1,174)
Exposure value of assets	613,890	573,664
CET 1 capital	36,513	38,318
Leverage ratio	6%	7%

¹ after Credit Conversion Factor (CCF)

6. Capital Adequacy

6.1 Capital Management

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

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

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

6.2 Internal Capital Adequacy Assessment Process

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

Specifically, it uses the ICAAP for three primary purposes:

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

6.3 Regular Stress Testing

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

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

Detailed results of stress tests are presented to ALCO, including the impact of the stress scenario

on the Bank's capital requirements, capital resources, profitability and future strategy.

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

6.4 Pillar 1 Minimum Capital Requirement

The Pillar 1 capital amount is comprised of Credit Risk Capital using the Standardised approach, Market Risk Capital using the Position Risk Requirement for Foreign Exchange, and Operational Risk Capital using the Basic Indicator approach. The table below sets out the aggregate Pillar 1 minimum Capital Resource Requirement:

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
	\$'000	\$'000
PILLAR 1 MINIMUM CAPITAL REQUIREMENT		
Credit risk	11,027	7,462
Market risk	304	648
Operational risk	1,221	1,025
Minimum Capital Resource Requirement	12,552	9,135
Total own funds	36,513	38,318
Excess of own funds over minimum capital requirement	23,961	29,183

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

	Year ended 31 Dec 2022		Year ended 31 Dec 2021	
	Risk Weighted Assets \$'000	8% own funds requirement \$'000	Risk Weighted Assets \$'000	8% own funds requirement \$'000
EXPOSURE CLASSES				
Institutions	5,335	427	10,287	823
Corporates	100,572	8,046	53,087	4,247
Central government and central banks	26,861	2,149	26,418	2,113
Multilateral development banks	-	-	-	-
Collective investment undertakings	-	-	-	-
Public sector entity	1,370	110	-	-
Retail	0	-	1	0
Other	3,695	296	3,480	278
Total	137,834	11,027	93,272	7,462

7. Risk Measurement, Mitigation and Reporting

Risk is inherent in the Bank's business activities. The Bank has processes and controls to identify, measure, assess, monitor, manage and report each risk. The most significant risks are credit risk (including concentration risk), market risk (mainly currency and interest rate risk), operational risk and liquidity risk. In addition to these risks, the Bank is also exposed to other risks including Strategic Risk, Regulatory Risk, Conduct Risk and Reputational Risk. The significant risks are detailed below:

7.1 Credit Risk

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

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

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

a) Credit Risk Management

The business units are responsible for day-to-day credit risk management with oversight by the Risk Department, the RC and the BARCC. The primary responsibilities are to:

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

b) Credit Risk Assessment

This process involves an analysis of the ability of a borrower to meet its repayment and other obligations and collateral may be taken to provide additional comfort.

The Master Rating Scale adopted by UBA UK is articulated in the Credit Risk Management Policy, which provides information on how the rating scale maps to the regulatory credit quality steps and the long-term ratings scales as employed by the benchmark external credit ratings agencies. These ratings are tracked via Fitch Alerts, with adjustments being updated monthly into the Banks core systems.

Country risk is separately assessed, and exposure limits are set based mainly on economic and political criteria. Approved counterparty limits, country limits, facility and collateral documentation must be completed before drawdown on approved facilities is permitted. Facilities for related entities are assessed and monitored on a group basis for determining credit and large exposure limits. Credit risk mitigation techniques may be used to reduce concentration risks.

c) Credit Risk: Standardised Approach

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

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

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

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

EXPOSURE CLASSES	Year ended 31 Dec 2022		Year ended 31 Dec 2021	
	Exposure value before credit risk mitigation \$'000	Exposure value after credit risk mitigation \$'000	Exposure value before credit risk mitigation \$'000	Exposure value after credit risk mitigation \$'000
Institutions	26,677	26,677	51,435	51,435
Corporates	472,864	72,268	453,061	37,652
Central government and central banks	85,207	85,207	102,373	102,373
Multilateral development banks	5,046	5,046	5,008	5,008
Collective investment undertakings	27,101	27,101	12,502	12,502
Public sector entities	1,370	1,370	0	-
Retail	0	0	1	1
Other	3,696	3,696	3,480	3,480
Total	621,960	221,364	627,860	212,451

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

GEOGRAPHICAL REGION	Year ended	Year ended
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Africa	498,983	479,516
USA	66,111	55,665
Asia	-	-
Western Europe	51,821	87,670
Others	5,046	5,008
Total	621,960	627,860

The Bank extends credit facilities to rated and unrated counterparties. Investment grade exposures include high quality liquid assets and money market placements with well rated financial institutions. Exposure amounts for each credit quality category are:

ECAI RATING	Year ended 31 Dec 2022		Year ended 31 Dec 2021	
	Exposure value before credit risk mitigation	Exposure value after credit risk mitigation	Exposure value before credit risk mitigation	Exposure value after credit risk mitigation
	\$'000	\$'000	\$'000	\$'000
AAA to AA-	92,701	92,701	93,465	93,465
A+ to A-	26,580	26,580	51,395	51,395
BBB+ to B-	-	-	3	3
BB+ to BB-	96	96	-	-
B+ to B-	494,467	93,871	479,516	64,107
CCC+ and below	4,420	4,420	-	-
Unrated	3,696	3,696	3,481	3,481
Past due items	-	-	-	-
Total	621,960	221,364	627,860	212,451

The table below shows the residual maturity breakdown of the Bank's exposure classes at 31st December 2022:

Year ended 31 Dec 2021						
EXPOSURE CLASSES (amounts in \$'000)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Undated	Total
Institutions	51,435	-	-	-	-	51,435
Corporates	130,212	256,663	46,191	19,995	-	453,061
Central government and central banks	-	1,700	24,855	75,819	-	102,373
Multilateral development banks	-	-	-	5,008	-	5,008
Collective investment undertakings	12,502	-	-	-	-	12,502
Public sector entities	-	-	-	-	-	-
Retail	-	-	1	-	-	1
Other	-	-	-	-	3,480	3,480
Total	194,149	258,363	71,046	100,822	3,480	627,860
Year ended 31 Dec 2022						
EXPOSURE CLASSES (amounts in \$'000)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Undated	Total
Institutions	26,677	-	-	-	-	26,677
Corporates	158,138	264,593	22,461	27,672	-	472,864
Central government and central banks	-	-	9,581	75,625	-	85,207
Multilateral development banks	5,046	-	-	-	-	5,046
Collective investment undertakings	27,101	-	-	-	-	27,101
Public sector entities	-	-	-	1,370	-	1,370
Retail	-	-	-	-	-	-
Other	-	-	3,695.76	-	-	3,696
Total	216,962	264,593	35,738	104,667	-	621,960

*no items are Past due

d) Credit Risk Mitigation

The Bank has in place various techniques to reduce credit risk to minimize potential loss, the most common of these is performing an assessment of the borrower to service the proposed level of borrowing without distress. However, the main source of risk mitigation has been collateral received in the form of cash. The Bank ensures that risk mitigations must be legally enforceable and effective in the relevant jurisdictions. Netting is not considered a form of credit risk mitigation unless, where permitted, such as for appropriately documented foreign exchange transactional relationships, this allows obligation in favour of the Customer and the Bank to be settled on a net rather than a gross basis.

e) Expected Credit Loss (“ECL”)

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

The measurement of ECL allowance for all financial assets at amortised cost, assets at fair value through other comprehensive income (“FVOCI”), commitments and guarantees 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. These include:

- Determining criteria for significant increase in credit risk. The RC will review and recommend reclassification of Stage 2 and Stage 3 ECL. There is a rebuttable presumption that the credit risk has increased significantly if contractual principal payments are more than 30 days past due; this presumption shall be applied unless the Bank has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.
- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing the number and relative weightings of forward-looking scenarios. The Bank calculates a base scenario, two downside scenarios and one upside scenario for stress testing purposes. In line with the IFRS 9 requirements, the Bank’s policy recommends a weighted average approach in computing the ECL.

As at 31 Dec 2022, the Bank had an ECL provision complying to the IFRS 9 standards across its assets and off-balance sheet commitments. We are aware of the ongoing discussions for the Government of Ghana to restructure all external debt. UBA UK has a non-material Ghana exposure of US\$5m which has been classified as Stage 3 ECL with adequate specific provisions.

7.2 Market Risk

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

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

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

Market risk in UBA UK comprises interest rate risk and currency risk.

a) Interest Rate Risk

Changes in interest rates impact income differently for floating and fixed rate assets and liabilities. The value of assets and liabilities can change as a result of changes in market interest rates.

Interest rate sensitivity analysis is performed based on a parallel shift in interest rates of 200 basis points in either direction to determine the impact on balance sheet values and net income.

The table below summarises the impact on income of a 200-basis point increase or decrease in the interest rates for all exposures as at 31st December 2022, if all other variables remain constant, in line with FSA017.

Year ended 31 Dec 2022	200 basis point increase	200 basis point decrease
	(1,253)	1,479
Year ended 31 Dec 2021	200 basis point increase	200 basis point decrease
	(2,692)	3,088

b) Foreign Currency Risk

Foreign exchange exposure arises from foreign currency balances including, nostro accounts, bonds, trade loans and collateral. The Bank's policy is to match the currencies and assets and liabilities where possible and to take forward cover where foreign currency exposures are material. The Board sets limits for the net open position monitored by Treasury.

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

Year ended 31 Dec 2021 (amounts in \$'000)	EUR	GBP	Other currencies	Total
Net Foreign Currency Exposure	1,845	6,206	(2,202)	5,849
Impact of 5% increase in US\$ exchange rate	92	310	-110	292
Impact of 5% decrease in US\$ exchange rate	-92	-310	110	-292
Year ended 31 Dec 2022 (amounts in \$'000)	EUR	GBP	Other currencies	Total
Net Foreign Currency Exposure	1,511	2,237	57	3,804
Impact of 5% increase in US\$ exchange rate	76	112	3	190
Impact of 5% decrease in US\$ exchange rate	-76	-112	-3	-190

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

c) Commodity Position Risk

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

d) Equity Position Risk

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

7.3 Liquidity Risk

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

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

RATIOS	Year ended 31 Dec 2022	Year ended 31 Dec 2021	Minimum requirement
Liquidity Coverage Ratio	224%	361%	100%
Net Stable Funding Ratio	181%	148%	100%

The Bank utilises the Cash flow maturity ladder (PRA110) to assess short- term risks, cash flow mismatches and liquidity cliffs. A comprehensive annual review of liquidity requirements is performed through the ILAAP.

7.4 Operational Risk

Operational risk is defined as "the risk of monetary loss resulting from inadequate or failed internal processes, people and systems or from external events". The impact can be financial or non-financial, including customer detriment, reputational damage or adverse regulatory ramifications.

Operational Risk within UBA UK is managed using an evaluate, respond and monitor approach.

- Evaluate – Identify and assess the different operational risks that UBA UK is exposed to, how they are assessed and how the risk exposure is measured.
- Respond – Detail the Bank's approach to managing operational risk, including the design and implementation of mitigation, establishing risk appetite and the delegation of authorities.
- Monitor – Set out how the operational risk profile is reported, overseen, escalated and managed to ensure that risk exposures remain within approved risk appetite.

A strong risk culture effectively communicated to all staff is a key component of effective operational risk governance. This includes a culture of support from top management to encourage the reporting of operational risk incidents, including losses and near misses.

All staff have a responsibility to manage operational risks to within the Bank's risk appetite in their departments and UBA UK's operational risk governance relies on three lines of defence model.

8. Asset Encumbrances

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

As at 31st Dec 2022, US\$18.2m of the Bank's assets were encumbered, due to its repo transactions.

9. Remuneration Policy

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

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

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

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

9.1 Setting the Remuneration Policy

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

The BNGC meets every quarter and comprises of 2 Non-Executive Directors and 4 Independent Non-Executive Directors. The Non-Executive Directors are regarded as being independent and possess the necessary skills to exercise the appropriate judgement. The BNGC is supported by the CEO, and the Head of Human Resources who attends by invitation. Other Board Members, senior employees or external advisors are also invited to attend meetings, as and when required.

Independent consultants are not used for the determination of Remuneration Policy.

9.2 Pay and Performance

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

A discretionary bonus plan is in place for the benefit of employees. Payments are aligned to the overall Bank and individual performance in a way that reflects the Bank's short-and long-term strategy. All bonuses are paid in cash through the payroll. This bonus plan is regularly reviewed and updated to ensure rewards are consistent with expected values and behaviours. This includes incentives to promote risk management, organizational performance, appropriate conduct and individual accountability.

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

The Code requires that banks identify relevant senior executives and material risk takers and designate them as Code Staff. As a Tier 3 firm, the Bank adhered to relevant prescribed remuneration rules pursuant to CRD V.

The table below sets out the remuneration awards that have been made to Identified Staff - classified as being all Senior Management Function holders (13); other Senior Managers and other Material Risk Takers (6), as at 31st December 2022.

	Year ended 31 Dec 2022			Year ended 31 Dec 2021		
	No of Staff	Remuneration type		No of Staff	Remuneration type	
		Fixed \$'000	Variable \$'000		Fixed \$'000	Variable \$'000
Senior Management	7	1,372	-	8	1,055	-
Material Risk Takers (MRT)	10	2,007	-	10	1,144	-
Total	17	3,379	-	18	2,199	0

Neither deferred nor variable remuneration were paid out in the considered period. The Bank is required to complete an annual High Earners Return to the FCA to advise them of staff whose remuneration is over €1m. The Bank does not have any staff who qualify as high earners under the FCA definition and therefore a nil return has been submitted for 2022.

A summary of staff categories and their roles as of 31st December 2022 is given below:

	Year ended 31 Dec 2022		Year ended 31 Dec 2021	
	No of Staff	%	No of Staff	%
Customer facing	7	17.5%	7	18%
Control	16	40.0%	12	31%
Support	17	42.5%	20	51%
Total	40	100%	39	100%