

**UNITED BANK for AFRICA (UK) LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**31 DECEMBER 2019**

**Company Registration number 3104974**

## United Bank for Africa (UK) Limited

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## **United Bank for Africa (UK) Limited**

### **1. OFFICERS AND PROFESSIONAL ADVISORS**

#### **Directors**

High Chief Samuel Oni  
Rose Okwechime  
Clive Carpenter  
Kennedy Uzoka (appointed 4 October 2019)  
Alex Romer-Lee  
John Coulter  
Patrick Gutmann (appointed 14 January 2019)  
Uche Ike (appointed 8 October 2019)  
Daniel Marx (appointed 5 March 2020)

#### **Company secretary**

Funmi Dele-Giwa (appointed 11 February 2019)

#### **Registered office**

36 Queen Street  
London  
EC4R 1BN

#### **Bankers**

Standard Chartered Bank  
Citibank

#### **Solicitors**

Bryan Cave Leighton Paisner LLP  
Fox Williams LLP

#### **Independent auditors**

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

#### **Company registration number**

3104974

#### **Bank website:**

[www.ubagroup.com/uk/](http://www.ubagroup.com/uk/)

## **United Bank for Africa (UK) Limited**

### **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 2005 and is a wholly owned subsidiary of United Bank for Africa Plc ("UBA Plc" or the "parent bank"). UBA Capital (Europe) Limited was renamed to United Bank for Africa (UK) Limited on 19 March 2018 on becoming a UK wholesale deposit taking institution. UBA UK is a private limited company. The Bank operates from London and has conducted business mainly financing trade flows between Europe and Africa by advising and confirming letters of credit, providing trade loans and foreign currency services. UBA UK conducts business in a number of African countries, the UK and Europe.

### **Group Footprint**

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

### **Directors**

#### **High Chief Samuel Oni – Chairman and Non-Executive Director**

High Chief Oni was appointed to the Board of UBA UK and became Chairman in August 2015. He was appointed to the Board of UBA Plc as an Independent Non-Executive Director in January 2015 following the mandatory three years cooling period after retiring as a Director from the Central Bank of Nigeria (CBN) in June 2011. Prior to this he performed different roles in the Banking Supervision Department between 1993 and 2011. High Chief Oni was appointed the Director of Bank Examination in 2004. In 2009 he became the Director of Banking



Supervision and performed a leading role in the joint CBN / Nigerian Deposit Insurance Corporation (NDIC) special audits of Nigerian banks during the financial crisis in 2009/2010. He was the Chairman of the Committee set up by the CBN to supervise the establishment of the Asset Management Corporation of Nigeria (AMCON). He was appointed by the CBN as Non-Executive Director to represent its interests on the Board of Bank of Industry and the Nigeria Deposit Insurance Corporation (NDIC). He is a Chartered Accountant and a Fellow of both the Association of Chartered Certified Accountants, London and the Institute of Chartered Accountants of Nigeria. He holds an MBA (Finance) from the University of Ilorin, Nigeria.

#### **Committees:**

Board of Directors (Chair)

In attendance:

Board Audit Committee

Board Nominations & Governance Committee

Board Finance & General Purposes Committee

Board Risk & Compliance Committee



## **United Bank for Africa (UK) Limited**

### **Rose Okwechime – Non-Executive Director**

Mrs. Okwechime was appointed to the Board of UBA UK in July 2014. She is currently the Managing Director of Abbey Mortgage Bank Plc.

She holds a master's degree in Business Administration specialising in Banking and Finance, is a Fellow of the Chartered Institute of Bankers of Nigeria and a Fellow of the Institute of Bankers (London). She is an alumna of the International Institute of Management Development (IMD) in Lausanne, Switzerland and Harvard Business School in Boston, USA. She is a

recipient of many awards including the Woman of Excellence Award.



#### **Committees:**

Board of Directors

Board Audit Committee

Board Nominations & Governance Committee

Board Finance & General Purposes Committee

#### **In attendance:**

Board Risk & Compliance Committee

### **Kennedy Uzoka – Non-Executive Director**

Mr. Uzoka was appointed to the Board of UBA UK in October 2019. He is the GMD/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 Finance & General Purposes Committee (Chair)

Board Audit & Compliance Committee

Board Nominations & Governance Committee

Board Risk and Compliance Committee

## United Bank for Africa (UK) Limited

### Clive Carpenter – Independent Non-Executive Director

Mr. Carpenter was appointed to the Board of UBA UK in May 2014. He has over 40 years' experience in business and finance, much of which has been gained in the highly challenging environments of developing countries including top level banking appointments in Kenya (Central Bank of Kenya) and Nigeria (Diamond Bank). He spent 5 years with the private sector arm of the World Bank (IFC), heading the AMSCO project spanning the African Continent.



He is Chairman of the Royal Over-Seas League's charitable trust and a Director of the Business Council for Africa. He is a consultant to a number of international companies and mentor to several young executives.

Mr. Carpenter is a Fellow of the Chartered Institute of Bankers, London (FCIB) and a Chartered Director, the definitive qualification in corporate governance from the Institute of Directors UK, of which he is also a Fellow.

#### Committees:

Board of Directors

Board Nominations & Governance Committee (Chair)

Board Audit Committee

Board Risk & Compliance Committee

#### In attendance:

Board Finance & General Purposes Committee

### Alex Romer-Lee – Independent Non-Executive Director

Mr. Romer-Lee was appointed to the Board of UBA UK in August 2015. He is the Non-Executive Chairman of BCS Prime Brokerage Ltd, a leading financial services group providing trading solutions for emerging markets. Previously he was Senior Non-Executive Director of FCE Bank Plc (Ford Credit). Mr. Romer-Lee is a Chartered Accountant (ACA 1980, FCA 1990) and was previously a Partner with



PricewaterhouseCoopers (previously

Coopers & Lybrand and Deloitte Haskins &

Sells); where he was in the Banking Division, and Financial Services Leader for Central and Eastern Europe. He holds a Diplome Universitaire de Technologie, Gestion et Administration des Entreprises, Dijon.

#### Committees:

Board of Directors

Board Audit Committee (Chair)

Board Nominations & Governance Committee

Board Risk & Compliance Committee

#### In attendance:

Board Finance & General Purposes Committee

## **United Bank for Africa (UK) Limited**

### **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 Risk & Compliance Committee (Chair)

Board Nominations & Governance Committee

Board Finance & General Purposes Committee

#### **In attendance:**

Board Audit Committee

### **Uche Ike – Non-Executive Director**

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



#### **Committees:**

Board of Directors

Board Audit Committee

Board Finance & General Purposes Committee

Board Risk & Compliance Committee

#### **In attendance:**

Board Nominations & Governance Committee

## **United Bank for Africa (UK) Limited**

### **Patrick Gutmann – Chief Executive Officer**

Mr. Gutmann was appointed to the Board in January 2019. He is an experienced international executive with a diverse background in managing cross-cultural teams across a variety of businesses and functions. He has extensive experience in Corporate, Retail and Transaction Banking in and across multiple regions and countries. Prior to joining UBA UK, Patrick held senior positions with BACB, a London-based pan-African bank, Ecobank, a pan-African bank spanning 32 African markets, Commercial International Bank (CIB) in Egypt, and ABN AMRO across multiple geographies. Most of his career has been focused on Emerging Markets. Mr. Gutmann holds an MBA from Northwestern University's Kellogg School of Management in Chicago, Illinois, and a Bachelor's degree in International Studies from Macalester College in St. Paul, Minnesota.



#### **Committees:**

Board of Directors

Board Finance & General Purposes Committee

EXCO (Chair)

ALCO

Risk Committee

Compliance Conduct and Audit Committee

IT Steering Committee

New Products & Activities Committee

#### **In attendance:**

Board Audit Committee

Board Nominations & Governance Committee

Board Risk & Compliance Committee

### **Daniel Marx – Executive Director, Chief Risk Officer**

Mr. Marx joined UBA UK in October 2016 and was appointed as a Director on 5 March 2020. He has 30 years of banking experience with extensive exposure to emerging markets. He is an experienced banker who has held various senior positions in smaller foreign owned banks in the United Kingdom. Daniel performed the role of interim CEO from 1 October 2018 until the arrival of the new CEO early in January 2019. Daniel holds an honours degree in economics.



Committees:

Board of Directors

Board Finance and General Purposes Committee

EXCO

ALCO (Chair)

Risk Committee (Chair)

Compliance Conduct and Audit Committee

New Products & Activities Committee (Chair)

Security Committee

In attendance

Board Audit Committee

Board Risk and Compliance Committee

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

- Adeleke Adeyemi (resigned 20 January 2020);
- Victor Osadolor (resigned 25 October 2019); and
- Andrew Martin (resigned 07 January 2019)

**Management Team**

**Alan Clark – Chief Operating Officer**

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

Alan holds a PG Dip in Internal Audit and Management and is currently the Chief Operating Officer for UBA UK.

Committees:

EXCO

IT Steering Committee (Chair)

Security Committee (Chair)

Risk Committee

Compliance Conduct and Audit Committee

New Products and Activities Committee

Attendee:

Board Finance & General Purposes Committee

Board Audit Committee

**Funmi Dele-Giwa – Head of Legal and Company Secretary**

Funmi joined UBA UK in February 2019. She is a dual-qualified solicitor with over 10 years' experience in private practice in the UK and in Nigeria. She has broad corporate, commercial and finance experience across various industry sectors. Funmi is the secretary to the Board and its various Committees in addition to the Executive Management Committee.

Funmi holds an LLM in International Corporate Governance & Financial Regulation from the University of Warwick and an LLB, Law from the University of Lagos, Nigeria.

Committees:

New Products and Activities Committee

Security Committee

Attendee:

Board of Directors

Board Finance & General Purposes Committee  
Board Audit Committee  
Board Risk and Compliance Committee  
Board Finance & General Purposes Committee  
EXCO

#### **Fiona Christiansen – Chief Financial Officer**

Fiona is an Associate member of the Chartered Institute of Management Accountants and has worked in financial reporting within international banking for over 30 years. She has held senior finance roles in small and medium sized banks with a focus on emerging markets and has previously held SMF 2 and SMF 3 authorisations as CFO and Director at Diamond Bank (UK) Plc.

Committees:  
EXCO  
ALCO  
Risk Committee  
Compliance Conduct and Audit Committee  
IT Steering Committee  
New Products and Activities Committee  
Security Committee  
Attendee:  
Board Audit Committee  
Board Finance & General Purposes Committee

#### **Gillian Higgs – Head of Human Resources**

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

Gillian is a graduate from Strathclyde University and is a Chartered Fellow of the Chartered Institute of Personnel and Development.

Committees:  
EXCO  
Compliance Conduct and Audit Committee  
Security Committee  
Attendee:  
Board Nominations & Governance Committee

#### **Olawale Hamed – Head of Treasury**

Olawale was appointed Head of Treasury for UBA UK effective February 2020. Prior to this, he oversaw the G7 Trading Desk at UBA PLC alongside other broader Treasury related functions that included facilitating at the Bank's training academy. Olawale's trading experience covering various treasury products spans 12 years. He also worked in Treasury Operations, Trade Services and Trade Documentary Control in Intercontinental Bank Plc, now Access Bank Plc.

Olawale is an Accounting graduate from the University of Lagos and a Fellow of the Institute of Chartered Accountants of Nigeria. He also holds the ACI Dealing Certificate.

Committees:  
ALCO  
New Products and Activities Committee

### 3. CHAIRMAN'S STATEMENT



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

2019 was an important year for UBA UK as it marked its first full year operating as a wholesale deposit taking institution. It also marked the first full year of the Bank implementing and executing its strategic plan and ramping up its business activities.

Given its newly authorized status, it was important for UBA UK to show progress and traction in its various business activities and I am happy to report that in 2019 we have seen strong growth across several parameters, including balance sheet and revenue growth, translating into a sound financial performance for the year.

It has also become more evident that UBA UK plays an important role towards delivering UBA Group's ambition of being Africa's Global Bank. The UBA Group is a leading pan-African financial institution and by leveraging its large pan-African footprint across 20 sub-Saharan African markets and its international presence in the US, France and the UK, it is clearly well positioned to support its clients globally. UBA UK is ideally situated in London to support African corporates and institutions looking for a UK Bank to support their trade and investment flows, and European corporates and institutions looking for a partner who understands the African continent. UBA UK is strongly supported by the UBA Group and is viewed as an independent but important part of the Group.

Over the last few years, there has been significant investment in UBA UK, with a particular focus on the Bank's people and systems. The Bank has hired a number of very experienced individuals throughout the year and has continued to invest in its technology and overall operational resilience and efficiency. These are areas that the Bank will continue to invest in as our strategy hinges on having high calibre people well supported by robust technology platforms.

The Bank's Executive Management team and Board of Directors remain fully committed to building a strong and sustainable Banking subsidiary in London.

I would like to thank our shareholder for their enduring support, and the Board of Directors for their diligence and for guiding the Bank throughout the year. I would also like to thank

executive management and staff of UBA UK, who have dedicated significant time and effort to ensure our customers have access to world class products and services.

Lastly and arguably most importantly, I would like to take this opportunity to thank our customers for entrusting their business to UBA UK. We look forward to being of service in 2020.

A handwritten signature in cursive script, appearing to read 'Samuel', followed by a horizontal line.

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**High Chief Samuel Oni**

**Chairman and Non-Executive Director**



#### 4. STRATEGIC REPORT



*UBA UK's first full year operating as a wholesale deposit-taking institution has been a success. The Bank recorded strong growth across several parameters, including a return to profitability.*

*2019 was a year of two key priorities – there was a focus on building a platform for growth; and in parallel a focus on building business momentum through growth in the client base and the Bank's business areas. On both fronts, the Bank has made good progress and the future for the Bank looks bright.*

##### **Strategic Intent**

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

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 into Europe in order to access new customers, partners and capital markets;
- European 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 European financial markets;

- Multilaterals and Development Organisations operating in Europe and in Africa looking for a trusted and leading pan-African bank for all their banking requirements on the African continent.

We believe that UBA UK is a complementary piece 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 the Platform for Growth**

As mentioned before, a major area of focus throughout the year was on building the appropriate infrastructure and platform that would support and accommodate the growth of the business envisaged for the Bank. This undertaking was conducted across all areas of the Bank and was framed around the three pillars of people, systems and processes.

#### People

The Bank invested in expanding and broadening its employee base and hired some talented people to supplement an already high-calibre team. Much of the focus was on enhancing the business areas, building business momentum and executing the business plan. The Bank has invested in employee development and training to ensure that high levels of skills and competencies are maintained to ensure that our customers and stakeholders continue to receive excellent service.

#### Systems

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

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

#### Processes

Throughout the year, a wholesale review of the Bank's policies and procedures was conducted with the explicit aim of ensuring that the Bank's policy and procedures framework is not only robust and strong, but also aligned to the Bank's strategic plan and its growth ambitions.

### **2019 Business Review**

In 2019, the Bank saw high growth rates across a number of facets as the business strategy started to take shape. Total assets increased 33% year on year from \$166m in 2018 to \$222m in 2019 and operating income has increased by 50% from \$6.195m in 2018 to \$9.316m in 2019. The business focus for 2019 was to build-up the business development and client facing teams, broadening the Bank's client base and enhancing the Bank's products and service delivery.

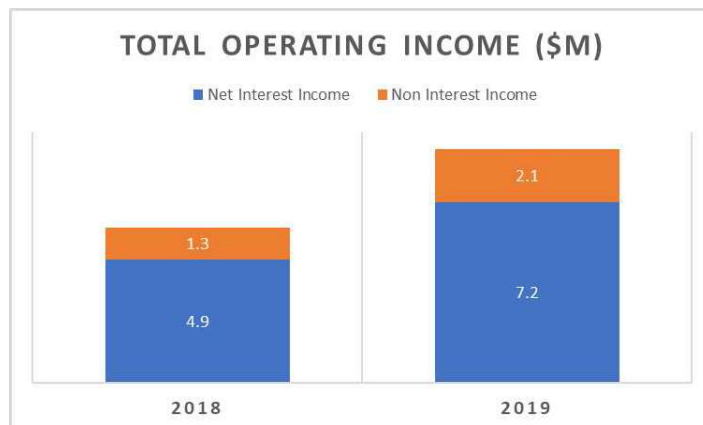
The Bank's proposition to clients centres on treasury, trade finance and general banking services. The Treasury business showed strong growth in 2019, with its operating income growing

by 63% year-on-year. The trade business also showed significant growth, with a 41% increase during the year in the trade portfolio.

## 2019 Financial Performance

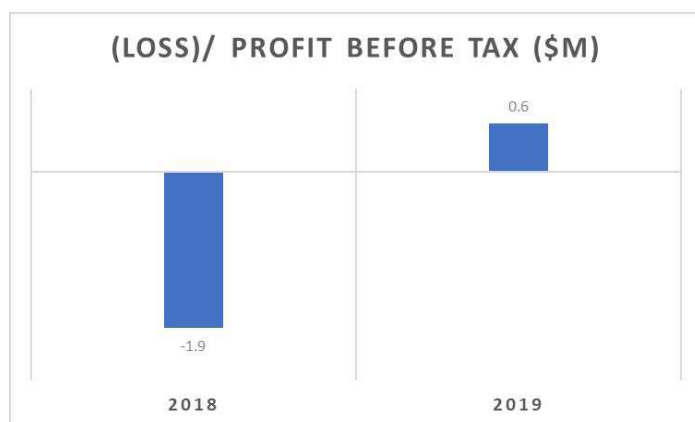
The Bank saw its operating income grow by 50% year-on-year, with net interest income increasing by 47%, and non-interest income growing by 65%. The growth in interest income was predominantly on the back of strong growth in the Bank's trade finance business and improved yields earned through its Treasury department.

US\$'000	2018	2019
Operating income	6,195	9,316
Net interest income	4,933	7,235
Non-interest income	1,262	2,081
Profit/(loss)before tax	(1,883)	621
Equity	44,723	45,246
Total assets	166,173	221,582
Return on assets	-1.13%	0.28%
Capital adequacy ratio	83%	56%
Liquidity coverage ratio	466%	499%

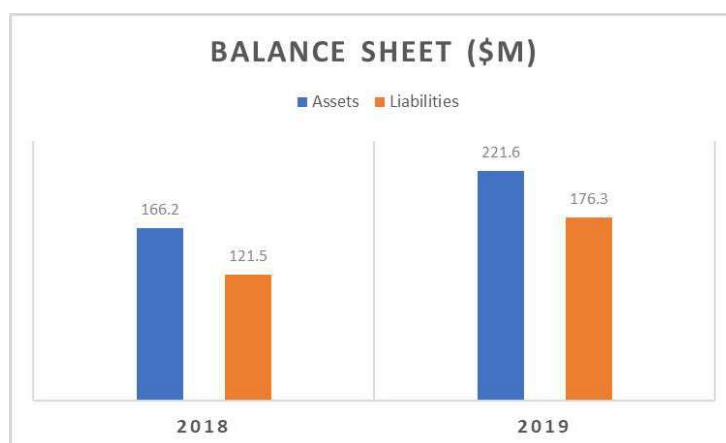


Throughout the year the Bank continued to invest in its workforce and its technology environment. As a result of these investments, the Bank's operating expenses increased year on year by 8%.

With strong income growth and moderate expense growth, the Bank managed to generate a Profit before Tax of \$0.6m, as compared to a loss of \$1.9m in 2018.



The Bank ended the year with total assets of \$222m. The asset base increased by 33%, whilst its liability base increased by 45% as compared to the 2018 year-end position. The main driver for the increased balance sheet was additional deposits received from both group and third parties which funded additions to trade loans and bond portfolios.



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

### Asset Quality

On balance sheet risk assets comprise mainly of trade loans extended to group companies and selected financial institutions, a bond portfolio, high-quality liquid assets held for liquidity management purposes, and overnight balances with international financial institutions.

Trade loans are predominantly cash collateralised. The bond portfolio consists of Eurobonds issued by Emerging Markets financial institutions. High-quality liquid assets comprise of US Treasuries and qualifying Multilateral Development Banks. Overnight balances are with investment grade international financial institutions.

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

Asset quality was maintained with no non-performing loans recorded during the year. The Bank adopts a conservative approach to the calculation of its expected credit loss under IFRS9.

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

High levels of liquidity and capital were maintained throughout the year, well in excess of internal and external requirements. Available liquidity comprised both short term deposits 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 numerous 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.

## **Covid-19**

At the time of signing this annual report, the UK and much of the world has been impacted by coronavirus, labelled a pandemic by the World Health Organization (WHO). The response to this outbreak by UBA UK has been swift and the Bank's carefully planned business continuity strategies have been put into effect and are working well. The welfare of our staff, customers and other stakeholders is of primary importance and the Bank's business has continued to be run and managed through remote working and conference and video call facilities. The Bank has the facility for all departments to continue to be operational as all staff can work from home, which will put the Bank on a robust footing should the crisis intensify in London.

A significant proportion of the Bank's trade is with Nigeria and the effect of coronavirus in Nigeria is currently small and has no material impact on the UK business at the time of writing. If the coronavirus crisis is prolonged, we expect a negative impact on the Bank's profits but given that UBA UK has a large capital surplus, sufficient liquidity, significant cash collateralised assets and a high level of high quality liquid asset securities, the bank is very well placed to survive a protracted disruption in the market.

## **Summary and Future Prospects**

UBA UK's first full year operating as a wholesale deposit taking institution has been a success. The Bank recorded strong growth across several parameters and ended the year with a profit, from having been loss-making in 2018.

Looking to 2020 and beyond, the Bank will continue to expand and grow its client base, whilst continuing to service its existing customers. The Bank will actively manage its balance sheet to maximise revenues within the current low-interest rate environment and also focus on diversifying its funding sources. As the UK market stabilizes and begins to settle down as its imminent exit from the EU seems manageable, the importance of expanding and growing its bilateral trade activities will grow in importance for the UK. UBA UK is well positioned to take advantage of this.

The Bank plays an integral part within the UBA Group and serves as the portal to the United Kingdom and European markets for the Group and its clients. The UBA Group's presence in 20

African countries provides a great network for UBA UK to tap into. The UBA Group continues to support the growth and ultimate success of UBA UK, and for that we are thankful.

### **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 and 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 customers' transactions are highly confidential and conducted within strict regulatory guidelines to protect our customers and the Bank's reputation.

#### Employees

On a quarterly basis, the Board received updates and feedback concerning employee matters from the Board Nominations and Governance Committee including metrics in relation to employees and the results of all staff surveys are communicated to the Board. During 2019 the Board has engaged with staff during a number of Board and Committee visits and town hall meetings are regularly held for all staff, which are attended by visiting Board members.

#### Shareholder

UBA UK has 3 Shareholder appointed representatives on the UBA UK board who attend all Board meetings and the Board Committees for 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 FCA, the PRA and other regulators; to take reasonable steps to ensure that the business of the firm 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 and other Board members attend meetings if 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 everywhere the Bank operates, the 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 in 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.



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**Patrick Gutmann**

**Director & CEO**

**Date: 26 March 2020**

## **5. DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for United Bank for Africa (UK) Limited, for the year ended 31 December 2019.

### **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, a leading pan-African financial institution, headquartered in Lagos, Nigeria.

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

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

For details on Risk Management and Summary and Future prospects please refer to the Strategic report on page 16 of this report.

### **Corporate Governance**

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

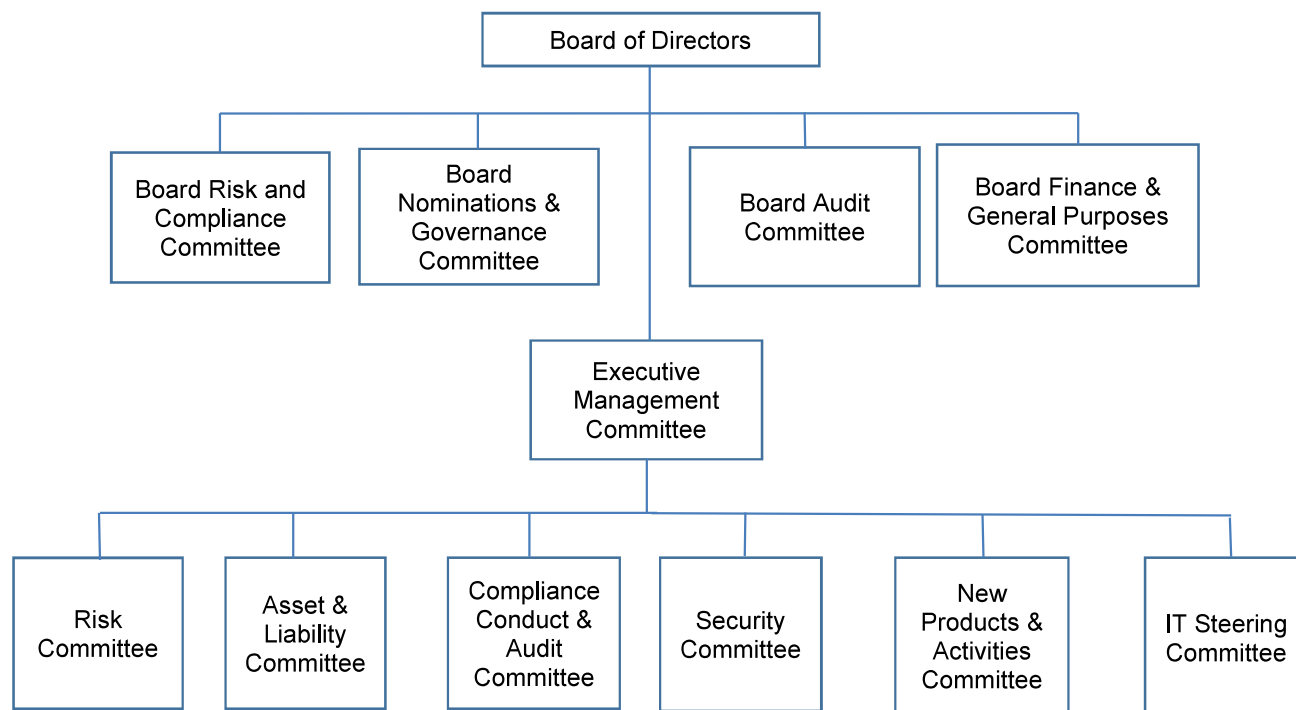
The director's duties include providing strategic direction, oversight and challenge, specialist knowledge, expertise and advice with problem solving. In addition, the INED's provide independence and impartiality. Board members are subject to an annual performance review and receive initial and ongoing training to enhance the performance of their duties.

The Board meets on a quarterly basis, and more frequently should the need arise. The Board is supported by four Board sub-committees, which monitor and provide oversight of specific aspects of the governance framework.

Board members, senior management and certain staff members are subject to the requirements of the Senior Managers and Certification Regimes set by the banking regulators.

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





The Board sub-committees are as follows:

- **Board Nominations and Governance Committee (BNGC)**

The BNGC is the Board sub-committee with overall responsibility for the Bank's governance structure and framework and the appointment of key senior personnel. It also has oversight responsibilities for the Bank's organisational structure, remuneration and manpower. The BNGC comprises 5 directors and is chaired by an INED. It meets at least four times per year.

- **Board Audit Committee (BAC)**

The BAC 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 BAC comprises 5 directors and is chaired by an INED. It meets at least four times per year.

- **Board Risk & Compliance Committee (BRCC)**

The BRCC is the Board sub-committee with overall responsibility for the Bank's current and future risk appetite, the Bank's risk management framework, systems, policies and procedures, the Bank's overarching risk culture, and overseeing the Bank's compliance function. The BRCC comprises 5 directors and is chaired by an INED. It meets at least four times per year.

- **Board Finance and General Purposes Committee (BFGPC)**

The BFGPC 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 BFGPC comprise 6 directors and is chaired by a NED. It meets at least four times per year.

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 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.

- Assets & Liabilities 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 CRO and meets monthly.

- Risk Committee (RC)

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

- Compliance, Conduct & 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 meets monthly.

- Information Technology Steering Committee (ITSC)

The ITSC reports to the EXCO and has been delegated the responsibility to manage, monitor and oversee the Bank's technology infrastructure, systems, resources and processes & procedures. The ITSC 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 ITSC is chaired by the COO and meets monthly.

- Security Committee (SC)

The SC reports to EXCO and has been delegated the 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 SC is chaired by the COO and meets monthly.

- New Products & 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 CRO 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 in this document in the Risk management note 27 and below:

- Credit Risk

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

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

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

- Market Risk

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

- a) Interest Rate Risk

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

- b) Foreign Currency Risk

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

- Operational risk

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

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

compliance with laws and regulations. The oversight provided by Risk Department is subject to further assurance provided by internal audit.

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

- **Liquidity Risk**

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

### **Key Performance Indicators**

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

	2019	2018
Return on Equity	1%	-4%
Cost to Income Ratio	94%	130%
Non-Interest Income to Total Income	22.3%	20%
Return on Assets	0.28%	-1.13%

In addition to the financial performance indicators the Bank also considers non-financial indicators where appropriate including IT and HR matters.

### **Operational Resilience**

UBA UK has made significant investments into its operations and technology environment in 2019. In particular, great emphasis has been placed on the Bank's information security management. UBA UK is proud to have received its ISO 27001 certification, which is internationally recognized as a mark of strong information security management and of a robust business continuity framework.

### **Risk Associated with the Environment and 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 considers the likely consequence of climate change on business decisions and appreciates the importance of our environment and of climate change issues. The Bank takes all opportunities to limit the impact of our operations on the environment.

## **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, including, in the UK, the Act; which applies to conduct both in the UK and abroad.

## **Brexit Impact**

Given the business model of UBA UK, which is predominantly focused on facilitating African trade and investment flows, the impact of Brexit on the Bank is expected to be insignificant.

## **UBA UK's Libor Transition Arrangements**

As required by the PRA, the Bank has prepared a Libor transition plan, which assesses the possible impacts of transitioning away from Libor by business and product areas and outlines remedial actions. The impact on UBA UK as a result of Libor transition is deemed to be modest, mainly due to the Bank's limited, vanilla and short-dated product offering.

## **Going Concern**

The Bank has maintained adequate capital and liquidity, remaining above regulatory requirements, and continues to maintain healthy reserves. The Bank therefore continues to adopt the going concern basis of accounting for the preparation of its annual financial statements.

## **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 2019.

## **Results & Dividends**

The Bank's profit for the year after taxation amounted to US\$0.6 million (2018: loss US\$1.9 million). The directors do not recommend the payment of a dividend for the year ended 31 December 2019.

### **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 (2018: Nil).

### **Directors' Representation**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditor is unaware, and each Director has taken all the steps that ought reasonably to have been taken as a director to be 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 auditor**

PwC has held the position of external auditor of UBA UK since 2013. The Board has accepted the Audit Committee's recommendation to follow a mandatory tender process for the appointment and provision of external audit services for the year ending 31 December 2020.

### **Disclosure of information to external auditors**

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

By order of the Board,



.....  
Patrick Gutmann  
Director and Chief Executive  
Date: 26 March 2020



.....  
Funmi Dele-Giwa  
Company Secretary  
Date: 26 March 2020

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the 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 IFRSs as adopted by the European Union 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 also 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 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.

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

### *Independent auditors' report to the members of United Bank for Africa (UK) Limited* **Report on the audit of the financial statements**

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#### **Opinion**

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

- give a true and fair view of the state of the Bank's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 Accounts (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of cash flow and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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#### **Basis for opinion**

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

#### *Independence*

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

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

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Bank in the period from 1 January 2019 to 31 December 2019.

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#### **Our audit approach**

##### *Overview*



- Overall materiality: US\$2.21m (2018: US\$1.66m), based on 1% of total assets.
- The Bank is based wholly in the United Kingdom, and does not have any subsidiaries, branches or service centres. We therefore audited the Bank as a standalone entity.
- The areas of focus for our audit which involved the greatest allocation of our resources and effort were the valuation of the receivable from the parent entity, United Bank for Africa plc and the potential impact of Covid-19.

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#### *The scope of our audit*

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



### *Capability of the audit in detecting irregularities, including fraud*

Based on our understanding of the Bank and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations such as, but not limited to, the relevant rules of the Prudential Regulatory Authority and Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of noncompliance with laws and regulation and fraud;
- Reading key correspondence with regulatory authorities such as the Financial Conduct Authority and the Prudential Regulation Authority in relation to compliance with banking regulations; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

### *Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>Procedures performed to support conclusions</i>
<i>The valuation of the receivable from the parent entity, United Bank for Africa plc</i>  The Bank's parent, 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 44 percent of the total assets on the balance sheet.  In previous years there have been delays in repayment of this receivable, due to challenges for UBA plc in converting Nigeria Naira into US Dollars. In addition, under IFRS 9 'Financial Instruments', management is required to assess the expected credit loss on this receivable, rather than the incurred loss.  The valuation of the receivable from UBA plc was therefore the key matter on which we focused our audit effort.	We independently confirmed the amount receivable by the Bank to the corresponding payable by UBA plc with the group auditor. We reviewed payments from UBA plc and noted evidence of regular payments through the year.  We obtained management's IFRS 9 expected credit loss calculation, which has resulted in a USD nil provision. This is due to the fact the receivable is collateralised by the financing provided by UBA plc  We obtained the funding contract between UBA plc and the Bank, and confirmed the existence of the right of set off. The payable balance to UBA plc is greater than the receivable, supporting the value of the receivable.  We also obtained a confirmation from the Directors of UBA plc that they intend to continue to provide support and assistance to the Bank.

Relevant reference in the Annual Report and Accounts:  
Note 12 - Loans and advances to banks

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**Key audit matter****Procedures performed to support conclusions**

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**Potential impact of Covid-19**

Since the balance sheet date there has been a global pandemic from the outbreak of coronavirus (Covid-19). During the latter stages of finalising of the financial statements, the potential impact of Covid-19 became significant and is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK.

While it is too early to accurately estimate the financial and business impact of Covid-19, management has considered the potential implications of these events on the Bank's going concern assessment.

Relevant reference in the Annual Report and Accounts:  
Note 30 - Subsequent events

We critically assessed management's conclusion that the matter be treated as a non-adjusting post balance sheet event and that the directors consider the impact of which cannot be reliably estimated at this stage. We considered:

- The timing of the development of the outbreak across the world and in the UK; and
- How the financial statements and business operations of the Bank might be impacted by the disruption.

In forming our conclusions over going concern, we evaluated whether management's going concern assessment considered impacts arising from Covid-19. Our procedures in respect of going concern included:

- Review of management's going concern assessment and enquiries of management to understand the potential impact of Covid-19 on the Bank's financial performance, business operations and regulatory capital and liquidity ratios.
  - Review of the Bank's most recent ICAAP and ILAAP which contain the results of the latest stress tests.
- 

**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:

<b>Overall materiality</b>	US\$2.21m (2018: US\$1.66m).
<b>How we determined it</b>	1% of total assets.
<b>Rationale for benchmark applied</b>	The Bank has been used to facilitate and conduct the UBA plc group's business in the United Kingdom, and has been loss-making in previous years, although is now moving into profit. Total assets is therefore considered the most appropriate benchmark. A benchmark of 1% is used to reflect the Bank's regulatory permission to accept deposits.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above US\$110,500 (2018: US\$75,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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**Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Bank's ability to continue to adopt the going concern

basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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

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## **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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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.

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## **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 set out on page 26, 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.

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](http://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.

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## **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 received 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.

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### **Appointment**

Following the recommendation of the Board Audit Committee, we were appointed by the members 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 7 years, covering the years ended 31 December 2013 to 31 December 2019.

A handwritten signature in black ink that reads "Daniel Pearce". The signature is fluid and cursive, with the first name "Daniel" and the last name "Pearce" clearly distinguishable.

Daniel Pearce (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 March 2020

## 8. FINANCIAL STATEMENTS

### 8.1. Statement of Comprehensive Income for the year ending 31 December 2019

	<u>Note</u>	<b>2019</b> <b>US\$'000</b>	<b>2018</b> <b>US\$'000</b>
Interest receivable and similar income		13,708	9,863
Interest expense		(6,473)	(4,930)
<b>Net interest income</b>	4	7,235	4,933
Fee and Commission income	5	463	880
Credit impairment gains	26	159	28
Other income	6	1,459	354
<b>Operating income</b>		9,316	6,195
Staff costs	7	(5,853)	(5,241)
Administrative expenses	8	(2,061)	(2,343)
Depreciation and amortisation	14/15	(820)	(494)
<b>Profit/(loss) before taxation</b>		582	(1,883)
Taxation	10	39	2
<b>Profit/(loss) for the year</b>		621	(1,881)
<b>Other comprehensive income</b>			
Items that may be reclassified to profit and loss			
Hedging derivative unrealised loss		(164)	(165)
Net gains on financial assets measured at FVOCI		66	127
<b>Total other comprehensive income/(expense)</b>		523	(1,919)

All transactions are in respect of continuing operations.  
The accompanying notes form an integral part of the financial statements.

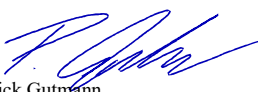
## United Bank for Africa (UK) Limited

### 8.2. Statement of Financial Position as at 31 December 2019

	<u>Note</u>	<b>DEC 2019</b> <b>US\$'000</b>	<b>DEC 2018</b> <b>US\$'000</b>
<b>Assets</b>			
Cash and cash equivalents	11	23,286	25,260
Loans and advances to banks	12	111,003	74,927
Investment securities	13	80,125	61,754
Property, plant and equipment	14	3,151	765
Intangible assets	15	2,597	2,809
Other assets	16	1,420	658
<b>Total assets</b>		<b>221,582</b>	<b>166,173</b>
<b>Liabilities</b>			
Deposits from banks	17	169,817	110,774
Deposits by customers	18	2,142	8,649
Derivative financial instruments	19	99	165
Deferred tax liability	20	54	85
Other liabilities	21	4,224	1,777
<b>Total liabilities</b>		<b>176,336</b>	<b>121,450</b>
<b>Equity</b>			
Share capital	22	60,246	60,246
Share premium account		201	201
Accumulated losses		(15,061)	(15,682)
Other reserves		(140)	(42)
<b>Total shareholders' equity</b>		<b>45,246</b>	<b>44,723</b>
<b>Total Equity and Liabilities</b>		<b>221,582</b>	<b>166,173</b>

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

The financial statements on pages 32 to 60 were approved by the board of directors on 26<sup>th</sup> March 2020 and signed on its behalf by:

  
 Patrick Gutmann  
 Mar 26, 2020 7:08 PM GMT  
 Patrick Gutmann  
 Director and Chief Executive

  
 Daniel Marx  
 Mar 26, 2020 8:41 PM GMT  
 Daniel Marx  
 Director

Date: 26<sup>th</sup> March 2020  
 36 Queen Street, London EC4R 1BN

Date: 26<sup>th</sup> March 2020  
 36 Queen Street, London EC4R 1BN

Bank Registration No: 3104974

## United Bank for Africa (UK) Limited

### 8.3. Statement of Changes in Equity

	Share capital	Share premium account	Fair value reserve	Hedging reserve	Accumulated losses	Total shareholders' equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2019</b>	60,246	201	123	(165)	(15,682)	44,723
Profit for the year	-	-	-	-	621	621
Other comprehensive income/(expense)	-	-	(164)	66	-	(98)
<b>Balance at 31 December 2019</b>	<b>60,246</b>	<b>201</b>	<b>(41)</b>	<b>(99)</b>	<b>(15,061)</b>	<b>45,246</b>
<b>Balance at 1 January 2018</b>	60,246	201	(4)	-	(13,801)	46,642
Loss for the year	-	-	-	-	(1,881)	(1,881)
Other comprehensive income/(expense)	-	-	127	(165)	-	(38)
<b>Balance at 31 December 2018</b>	<b>60,246</b>	<b>201</b>	<b>123</b>	<b>(165)</b>	<b>(15,682)</b>	<b>44,723</b>

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

United Bank for Africa (UK) Limited

8.4. Statement of Cash Flow for the year ended 31 December 2019

	<u>Note</u>	<b>2019</b> <b>US\$'000</b>	<b>2018</b> <b>US\$'000</b>
<b>Cashflows from operating activities</b>			
Profit/(Loss) for the year		621	(1,881)
Depreciation and amortisation	14/15	820	494
Changes in loans and advances to banks	12	(36,075)	4,157
Changes in other assets	16	(762)	947
Changes in deposits from banks	17	59,043	5,271
Changes in deposits from customers	18	(6,507)	8,256
Changes in other liabilities	21	(25)	531
Taxation paid	10	-	-
Other non-cash movements		(195)	127
<b>Net cashflows from operating activities</b>		<b>16,920</b>	<b>17,902</b>
<b>Investing activities</b>			
Investment in property and equipment	14	(146)	(148)
Investment in intangible assets	15	(129)	(739)
Elements of lease payments		(247)	-
Purchase of investment securities	13	(18,371)	(28,536)
<b>Net cash outflow from investing activities</b>		<b>(18,894)</b>	<b>(29,423)</b>
<b>Financing activities</b>			
<b>Net cash outflow from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net cash outflow during the year</b>		<b>(1,974)</b>	<b>(11,521)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>25,260</b>	<b>36,781</b>
<b>Cash and cash equivalents at 31 December</b>	11	<b>23,286</b>	<b>25,260</b>

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



## **8.5. Notes to the financial statements**

### **1. Accounting policies**

#### **Reporting entity**

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

#### **Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations issued by IFRS Interpretation Committee (IFRS IC) and the Companies Act 2006 applicable to companies reporting under IFRS. 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 FVOCI is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

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

#### **Financial instruments**

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

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

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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'; and
- 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. UBA UK has elected to remain with IAS 39 and hedges are accounted for as derivatives.

### *Impairment*

Under IFRS 9 entities are required to recognise Expected Credit Losses (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.

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

## United Bank for Africa (UK) Limited

1. 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.
2. 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.
3. 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.
4. The upside scenario 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.

The table below summarises the forecast economic scenarios applied in measuring the ECL and the impact of assigning a 100% weighting to any one scenario:

	<b>ECL Closing Balance</b>	<b>Weighting used</b>
	<b>US\$'000</b>	
Base Case	464	60%
Scenario 1 - Nigeria Specific - Downside	727	20%
Scenario 2 - Selected Developed Market - Downside	1,020	10%
Scenario 3 - Nigeria Specific - Upside	288	10%
		<b>100%</b>

Having calculated the expected credit loss under the 3 scenarios it is not considered to have a significant impact on the ECL provision. The ECL provision has been recognised on the base case.

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).

## **United Bank for Africa (UK) Limited**

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

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

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

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

### *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; and
- 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.

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Interest income and interest expense is 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 FX 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 recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the asset flow to the Bank and the cost of the asset can be measured reliably.

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

#### *Depreciation*

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

Furniture and fittings	5 years
Office equipment	5 years

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

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

All capital contributions received are deducted from the cost before the amortization 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 derecognition, the amount and the designation of gain/loss arising.

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

- The amount of profit/loss is measurable, and payment of sales price reasonably assured;
- 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 recognized by the Bank are stated at cost less accumulated amortization. Subsequent expenditure is capitalized only when it increases the future economic benefits in the asset. All other expenditure is expensed as incurred.

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

### **Foreign currencies**

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

### **Leases**

#### *IFRS 16*

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

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

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

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

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

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

## **United Bank for Africa (UK) Limited**

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.

### *Operating leases*

In relation to the 2018 accounting period, rental payments made under operating leases were charged to the income statement on a straight-line basis over the lease term. Any rent-free period was spread on a straight-line basis over the lease term.

### *Finance leases*

Assets held under finance leases in relation to the 2018 accounting period, which confer rights and obligations similar to owned assets, are capitalised as assets and depreciated over the lease term. The capital elements of future lease obligations are recorded as liabilities, while the interest payable is charged to the income statement over the period of the lease.

## **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 recognized 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.

## United Bank for Africa (UK) Limited

### Going concern

The Directors have considered the principal risks, the Bank's resources and the level of support provided to it by its parent, UBA Plc, and consider it appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### 2. New accounting standards

The Bank had adopted the new accounting standard for IFRS 16 which has become effective this year. The Bank has applied IFRS 16 on a retrospective basis without restating prior years as permitted under the specific transitional provisions in the standard.

IFRS 16 "Leases" replaces IAS 17 "Leases". The adoption of this new Standard has resulted in the Bank recognising a right of use asset and related lease liability in connection with all former operating leases except for those identified as low value or having a remaining lease term of less than 12 months from the date of initial application.

For contracts in place at the date of initial recognition, the Bank has elected to apply the definition of a lease from IAS 17 and has not applied IFRS 16 to arrangements that were not previously identified as leases under IAS 17.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low value assets, the Bank has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the incremental borrowing rate used in determining the discount rate to apply to the lease is the United Kingdom Government bond yield curve.

The Bank has recognised one right of use asset and lease liability in respect of the Bank's premises at 30 Queen Street, leased by the Bank under contracts previously classified as operating leases under IAS 17 and disclosed in the statutory accounts under contingent liabilities and commitments.

The remaining term of the lease is 10 years and 8 months. There is one extension option after 6 years and 8 months and management have determined that it is reasonably certain that the extension option will be exercised.

The opening balance sheet at 1 January 2019 has been adjusted to create a right of use asset of US\$2.719 million. A lease liability has been recognised of US\$2.719 million. The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019.

	Carrying amount at 31 December 2018 US\$'000	Re- classification US\$'000	IFRS 16 carrying amount at 1 January 2019 US\$'000
Property and equipment	765	2,719	3,484
Lease liabilities	-	2,719	2,719



## United Bank for Africa (UK) Limited

The following is a reconciliation of total operating lease commitments as disclosed in the financial statements to 31 December 2018 to the lease liabilities recognised at 1 January 2019.

	<b>US\$'000</b>
Total operating lease commitments disclosed at 31 December 2018	1,889
Lease payments not previously recognised	830
	<u>2,719</u>
Operating lease liabilities before discounting	2,823
Discounted using incremental borrowing rate	(104)
Operating lease liabilities	<u>2,719</u>

### 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

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Interest income</b>		
Cash and cash balances	30	43
Loans and advances to banks	6,929	6,289
Loans and advances to customers	-	1
Investment securities	6,749	3,530
	<u>13,708</u>	<u>9,863</u>
<b>Interest expense</b>		
Loans from banks	(6,455)	(4,930)
Interest on lease liability	(18)	-
	<u>(6,473)</u>	<u>(4,930)</u>
<b>Net interest income</b>	<u>7,235</u>	<u>4,933</u>

## United Bank for Africa (UK) Limited

### 5. Net fee and commission income

	2019 US\$'000	2018 US\$'000
<b>Fee and commission income</b>		
Derived from trade finance	673	880
Other	28	-
	<u>701</u>	<u>880</u>
<b>Fee and commission expense</b>		
Safe custody	234	-
Other	4	-
	<u>238</u>	<u>-</u>
<b>Net fee and commission income</b>	<u>463</u>	<u>880</u>

Net fee and commission income of US\$463,000 (2018 US\$880,000) is derived from advising and confirming letters of credit.

### 6. Other income

	2019 US\$'000	2018 US\$'000
Gains from disposal of FVOCI bonds	860	238
Foreign exchange	599	116
	<u>1,459</u>	<u>354</u>

### 7. Staff costs

Staff costs during the year were as follows:

	2019 US\$'000	2018 US\$'000
Wages and salaries	5,066	4,525
Social security costs	467	434
Pension costs	229	188
Other costs and benefits	91	94
	<u>5,853</u>	<u>5,241</u>

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 (2018: US\$ Nil).

The average number of employees employed during the year was 31 (2018: 27), of which 5 were customer facing and 26 employees were in administrative roles.

## United Bank for Africa (UK) Limited

### 8. Administrative expenses

	2019 US\$'000	2018 US\$'000
Auditors remuneration:		
Audit of statutory accounts	100	88
Non - audit fees	2	2
	<u>102</u>	<u>90</u>
Consulting fees	275	348
IT software maintenance and support	455	400
Leasing expenses	327	498
Other administrative expenses	902	1,007
	<u>2,061</u>	<u>2,343</u>

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

### 9. Directors' remuneration

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

	2019 US\$'000	2018 US\$'000
Salaries, fees and other	1,094	1,137
Pension contributions	75	4
Other benefits	51	32
	<u>1,220</u>	<u>1,173</u>

The number of directors for whom retirement benefits were accrued under money purchase pension schemes amounted to nil (2018: 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:

	2019 US\$'000	2018 US\$'000
Total emoluments	584	481
	<u>584</u>	<u>481</u>

There were no share options exercised during the year (2018: Nil) and defined benefit pension scheme in operation.

## United Bank for Africa (UK) Limited

### 10. Taxation on profit/(loss) on ordinary activities

	2019 US\$'000	2018 US\$'000
Analysis of change in period:		
UK corporation tax on profit/(loss) for the year	-	-
Adjustments in respect of prior periods	(8)	-
Current tax	-	8
Deferred tax	(39)	(10)
Deferred tax - prior year adjustment	8	-
Tax credit	(39)	(2)
	<b>2019</b> <b>US\$'000</b>	<b>2018</b> <b>US\$'000</b>
Factors affecting the tax charge for the year:		
Profit / (loss) on ordinary activities for the year	582	(1,883)
Profit/(loss) on ordinary activities at standard rate of corporation tax of 19% (2018: 19 %)	111	(358)
Expenses not deductible for tax purposes	2	1
Fixed asset permanent differences	29	13
Deferred tax on losses not recognised	(164)	307
Deferred tax - different tax rates	(15)	35
Adjustments in respect of prior periods	(2)	-
Tax credit	(39)	(2)

Corporation tax provided on a small amount of non-trade income was US\$ nil (2018: \$ nil). The Bank has a potential deferred tax asset of US\$ 2,370,861 (2018: US\$2,527,327) calculated at 17% of the carried forward trading losses of \$ 13,946,243 (2018: US\$14,915,689). The Bank has not recognised a potential deferred tax asset at 31 December 2019.

### 11. Cash and cash equivalents

	2019 US\$'000	2018 US\$'000
Cash with other banks	11,286	4,260
Money market placements	12,000	21,000
	<b>23,286</b>	<b>25,260</b>

At 31 December 2019 no cash and cash equivalents were impaired (2018: Nil). The maturity profile is disclosed in note 27.

## United Bank for Africa (UK) Limited

### 12. Loans and advances to banks

	2019	2018
	US\$'000	US\$'000
Loans to parent bank	97,396	74,373
Loans to fellow subsidiaries	848	8
Loans to other banks	13,019	557
Less impairment provision	(260)	(11)
	<u>111,003</u>	<u>74,927</u>

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 loans and advances to banks is approximately equal to their fair value after the recognition of the impairment provision. At 31 December 2019 no loans to banks were impaired (2018: nil). The maturity profile of loans and advances is disclosed in note 27.

### 13. Investment securities

	2019	2018
	US\$'000	US\$'000
Debt instruments held at amortised cost	24,016	34,516
Less impairment provision	(148)	(546)
	<u>23,868</u>	<u>33,970</u>
Debt instruments held at FVOCI	56,257	27,784
	<u>56,257</u>	<u>27,784</u>
<b>Total investment securities</b>	<u>80,125</u>	<u>61,754</u>

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

At 31 December 2019 all investment securities are considered as performing. Debt instruments held at Fair value through other comprehensive income (FVOCI) are classed as stage 1 for the recognition of ECL allowances. In 2019 no investments were impaired (2018: Nil).

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

## United Bank for Africa (UK) Limited

### 14. Property and equipment

	Furniture and fittings	Office equipment	Leasehold improve- ments	Office premises	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cost</b>					
At 1 January 2019	122	496	894	-	1,512
Reclassification	-	-	-	2,719	2,719
Additions	-	10	136	-	146
At 31 December 2019	122	506	1,030	2,719	4,377
<b>Accumulated depreciation</b>					
At 1 January 2019	90	352	305	-	747
Charge for the year	24	100	100	255	479
At 31 December 2019	114	452	405	255	1,226
<b>Net book value</b>					
At 31 December 2019	8	54	625	2,464	3,151
<b>Cost</b>					
At 1 January 2018	122	480	762	-	1,364
Additions	-	16	132	-	148
At 31 December 2018	122	496	894	-	1,512
<b>Accumulated depreciation</b>					
At 1 January 2018	65	254	228	-	547
Charge for the year	25	98	77	-	200
At 31 December 2018	90	352	305	-	747
<b>Net book value</b>					
At 31 December 2018	32	144	589	-	765

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

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### 15. Intangible assets

	2019	2018
	US\$'000	US\$'000
<b>Cost</b>		
At beginning of year	3,317	2,578
Additions	129	739
At end of year	<u>3,446</u>	<u>3,317</u>
<b>Accumulated amortisation</b>		
At beginning of year	508	214
Charge for the year	341	294
At end of year	<u>849</u>	<u>508</u>
<b>Net book value</b>		
At end of year	<u>2,597</u>	<u>2,809</u>

### 16. Other assets

	2019	2018
	US\$'000	US\$'000
Prepayments and accrued income	327	316
VAT receivable	184	126
Other receivables	733	47
Rent deposits	176	169
	<u>1,420</u>	<u>658</u>

### 17. Deposits from banks

	2019	2018
	US\$'000	US\$'000
Amounts due to parent bank	140,601	100,714
Amounts due to fellow subsidiaries	20,991	10,060
Amounts due to other banks	8,225	-
	<u>169,817</u>	<u>110,774</u>

Deposits from banks are recorded at amortised cost. The carrying amount of deposits from banks approximates to their fair value. The intercompany borrowings are unsecured and subject to a netting agreement. The maturity profile of these deposits is disclosed in note 27.

### 18. Deposits from customers

	2019	2018
	US\$'000	US\$'000
Current accounts	2,142	8,397
Deposit accounts	-	252
	<u>2,142</u>	<u>8,649</u>

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

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### 19. Derivative financial instruments

	Notional amount	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Exchange rate contracts	20,425	-	99	-	165

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

### 20. Deferred tax liability

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

	2019 US\$'000	2018 US\$'000
At 1 January	85	95
Reversal of provision	(31)	(10)
At 31 December	54	85

At 31 December 2019 there was a reversal of previous timing differences resulting in a decrease in the deferred tax liability of US\$ 31,000 (2018: US\$10,000) in respect of investment in the infrastructure and systems.

### 21. Other liabilities

	2019 US\$'000	2018 US\$'000
Lease liability	2,472	-
Accrued expenses	1,599	1,283
Accounts payable	24	427
Current tax liabilities	1	-
Other liabilities	73	2
Provision for other liabilities and charges	55	65
	4,224	1,777

### 22. Share capital

	2019 US\$'000	2018 US\$'000
Issued and fully paid:		
43,287,826 ordinary shares of £1 each (2018: 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 2019 is US\$45.2million (2018 US\$44.7million).



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### 23. Regulatory capital

The Bank was granted a wholesale deposit banking licence in March 2018. Regulatory capital is determined in accordance with the requirements stipulated by the PRA in the UK. Total regulatory capital as at 31 December 2019 was US\$42.421million.

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 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. The Bank is in compliance with all regulatory capital requirements.

### 24. Financial commitments

- (i) The Bank has the following commitments under operating leases:

	2019 US\$'000	2018 US\$'000
Land and buildings lease		
Expiring:		
Less than one year	-	333
Between two and five years	-	1,333
More than than five years	-	222
	<u>-</u>	<u>1,889</u>

Operating leases disclosed in 2018 have been reclassified under IFRS16 and disclosed as fixed assets and lease liabilities.

- (ii) The Bank has the following commitments under trade finance contracts:

	2019 US\$'000	2018 US\$'000
Letters of credit (including cash backed)	17,399	20,796
Loan commitment	222	-
	<u>17,621</u>	<u>20,796</u>

The sum of US\$8.9million (2018: US\$3.07m) 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\$55,000 (2018: US\$66,000). There were no capital commitments.

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### 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 Banks method of valuation of the financial instruments subject to fair value are listed below.

	<b>Quoted market price Level 1 US\$'000</b>	<b>Fair value US\$'000</b>
<b>At 31 December 2019</b>		
Debt instruments at fair value	56,257	56,257
Derivative financial instruments	99	99
	56,356	56,356
<b>At 31 December 2018</b>		
Debt instruments at fair value	27,784	27,784
Derivative financial instruments	165	165
	27,949	27,949

### 26. Credit impairment gains

	<b>2019 US\$'000</b>	<b>2018 US\$'000</b>
Balance as 1 January	622	650
Decrease in ECL	(159)	(28)
Balance as 31 December	463	622

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	2019	2018
	US\$'000	US\$'000
Loans and advances to banks	260	11
Investment securities	148	546
Other contingent liabilities	55	65
Closing balance of credit impairment	463	622

## 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 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 was to arise again. Stress tests are conducted and reviewed on a monthly basis. A 2% change in the price of bonds would lead to a change in book value of US\$1,007,600(2018: US\$555,700).

### ***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 an increase and decrease in interest rate of 200bps is shown below:

	2019	2018
Sensitivity	US\$'000	US\$'000
Increase of 200bps	(1,384)	(833)
Decrease of 200 bps	1,384	559

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### Foreign currency risk

Revenues, assets and liabilities are primarily in the functional currency, US\$. However, as the Bank is a UK entity its operating expenses are in pounds sterling (GBP). To mitigate foreign exchange risk, the Bank hedges the 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, foreign exchange risk arising from its foreign exchange transactions with mainly UBA Group subsidiaries is closed out by entering into equal and opposite transactions with acceptable financial institutions. 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. The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<b>Assets</b>	<b>Liabilities</b>		<b>Assets</b>	<b>Liabilities</b>
	<b>2019</b>			<b>2018</b>	
	<b>US\$'000</b>	<b>US\$'000</b>		<b>US\$'000</b>	<b>US\$'000</b>
EUR	1,711	1,115		1,907	538
GBP	2,820	3,079		664	474
NGN	5,062	-		1,130	-
	<u>9,593</u>	<u>4,194</u>		<u>3,701</u>	<u>1,012</u>

The Bank's expense base is primarily in British Pounds, which is different to the functional currency of US dollars and is subject to fluctuations in foreign currency exchange rates.

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

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

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

The treasury fixed income portfolio had 5 investment securities each with a CQS of 5. The high-quality liquid asset bond portfolio had a CQS of 1.

The Bank's exposure to credit risk is the carrying amount of fixed income holdings, loans issued, financial assets including investment securities and contingent liabilities. A significant portion of trade finance loans and contingent liabilities activities in 2019 were cash collateralised.

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

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

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

	2018		
	Exposure US\$'000	Collateral US\$'000	Net exposure US\$'000
Cash at bank	25,260	-	25,260
Loans and advances to banks	74,927	(74,376)	551
Investment securities	61,754	(10,000)	51,754
Other assets	658	-	658
	<u>162,599</u>	<u>(84,376)</u>	<u>78,223</u>
Financial commitments:			
Confirmed letters of credit	20,796	(9,353)	11,443
	<u>20,796</u>	<u>(9,353)</u>	<u>11,443</u>

The collateral held against investment securities is in the form of a cash deposit from a fellow subsidiary.

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:

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	Credit quality step	2019 US\$'000	2018 US\$'000
<b>Assets</b>			
Cash at bank			
Rated A+ to A-	2	11,259	15,214
Rated BBB+ to BBB-	3	12,001	-
Rated B+ to B-	5	26	10,046
		<u>23,286</u>	<u>25,260</u>
Loans and advances to banks			
Rated B+ to B-	5	108,644	74,927
Unrated	6	2,359	-
		<u>111,003</u>	<u>74,927</u>
Debt instruments at amortised cost			
Rated B+ to B-	5	23,868	33,970
		<u>23,868</u>	<u>33,970</u>
Debt instruments at fair value			
Rated AAA to AA-	1	50,007	27,784
Rated B+ to B-	5	6,250	-
		<u>56,257</u>	<u>27,784</u>
<b>Contingent liabilities</b>			
Rated B+ to B-	5	16,752	20,796
Unrated	6	869	-
		<u>17,621</u>	<u>20,796</u>

- 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 \$49.825million as at 31st December 2019 (2018: 28.784million) which provided a liquidity buffer.

The Bank uses two 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

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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
<b>Assets 2019</b>						
Cash at bank	23,286	-	-	-	-	23,286
Loans and advances to banks	20,326	80,009	11,676	-	-	112,009
Investment securities	-	20,219	36,443	27,809	-	84,471
	<u>43,612</u>	<u>100,228</u>	<u>48,118</u>	<u>27,809</u>	<u>-</u>	<u>219,766</u>
<b>Liabilities 2019</b>						
Loans from banks	38,109	23,812	111,032	-	-	172,953
Deposits from customers	2,142	-	-	-	-	2,142
Derivative financial instruments	-	-	99	-	-	99
	<u>40,251</u>	<u>23,812</u>	<u>111,130</u>	<u>-</u>	<u>-</u>	<u>175,194</u>
Financial commitments Letters of credit	<u>7,090</u>	<u>7,212</u>	<u>3,319</u>	<u>-</u>	<u>-</u>	<u>17,621</u>

	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
<b>Assets 2018</b>						
Cash at bank	25,260	-	-	-	-	25,260
Loans and advances to banks	36,745	33,504	4,678	-	-	74,927
Investment securities	-	3,012	53,575	5,167	-	61,754
	<u>62,005</u>	<u>36,516</u>	<u>58,253</u>	<u>5,167</u>	<u>-</u>	<u>161,941</u>
<b>Liabilities 2018</b>						
<b>Cash at bank</b>						
Loans from banks	7,044	1,377	102,353	-	-	110,774
Deposits from customers	8,397	-	252	-	-	8,649
Derivative financial instruments	-	-	165	-	-	165
	<u>15,441</u>	<u>1,377</u>	<u>102,770</u>	<u>-</u>	<u>-</u>	<u>119,588</u>
Financial commitments Letters of credit	<u>12,960</u>	<u>6,446</u>	<u>1,390</u>	<u>-</u>	<u>-</u>	<u>20,796</u>

### • Operational risk

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

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### 28. Related party transactions

#### Key management personnel compensation

	2019 US\$'000	2018 US\$'000
Short term benefits for employees	<u>2,189</u>	<u>1,893</u>

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:

	2019 US\$'000	2018 US\$'000
Foreign exchange transactions	2,869,880	935,911
Trade related transactions	<u>325,539</u>	<u>357,152</u>
	<u>3,195,419</u>	<u>1,293,063</u>

#### Contingent liability outstanding with related parties

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

	2019 US\$'000	2018 US\$'000
<b>Contingent liabilities</b>		
Amount due from parent bank	14,484	14,667
Amount due from fellow subsidiaries	<u>1,425</u>	<u>-</u>
	<u>15,909</u>	<u>14,667</u>

#### 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

	2019 US\$'000	2018 US\$'000
Amount due from parent bank	97,396	83,678
Amount due from fellow subsidiaries	<u>848</u>	<u>-</u>
	<u>98,244</u>	<u>83,678</u>

	2019 US\$'000	2018 US\$'000
Amount due to parent bank	140,601	100,714
Amount due to fellow subsidiaries	<u>20,991</u>	<u>10,060</u>
	<u>161,592</u>	<u>110,774</u>



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	2019	2018
	US\$'000	US\$'000
<b>Interest income</b>		
Amount due from parent bank	5,268	5,522
Amount due from fellow subsidiaries	86	-
	<u>5,354</u>	<u>5,522</u>
	2019	2018
	US\$'000	US\$'000
<b>Interest expense</b>		
Amount due from parent bank	4,935	4,557
Amount due from fellow subsidiaries	1,467	373
	<u>6,402</u>	<u>4,930</u>

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

### 29. 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% (2018: 100%) of the share capital of UBA UK.

Details of fellow subsidiaries and representative offices of the UBA group and copies of the group financial statements may be obtained from United Bank for Africa Plc, 57 Marina, Lagos, Nigeria or on the group website: [www.ubagroup.com](http://www.ubagroup.com).

### 30. Subsequent events

Since the balance sheet date there has been a global pandemic from the outbreak of Coronavirus which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The Directors assess this event to be a non-adjusting post balance sheet event. In view of its currently evolving nature, the Directors are unable to estimate its financial and other effects