Registered Number 4661188

UNION BANK UK PLC

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2022

CONTENTS

FINANCIAL HIGHLIGHTS

Thousands of US Dollars (Unless otherwise stated)

	2022	2021	2020	2019	2018
Reporting period ended	**31 December**	31 December	31 December	31 December	31 December
Total Income	**3,994**	3,949	6,268	14,628	13,182
(Loss)/Profit before tax	**(5,382)**	(5,966)	(16,507)	(11,963)	900
(Loss)/Profit after tax	**(5,382)**	(5,965)	(16,505)	(11,660)	702
Dividends declared	**-**	-	-	1,000	3,000
Shareholders’ Funds	**35,519**	40,898	46,866	63,396	76,035
Total Assets	**96,633**	170,895	287,623	454,799	426,906
Capital / Risk Weighted Assets	**54%**	40%	36%	30%	34%
Return on Equity	**(15.2%)**	(14.6%)	(35.2%)	(18.9%)	1.2%
Cost Income Ratio	**231%**	263%	163%	70%	80%
NPL Ratio	**-**	-	5.89%	14.9%	14.9%
Dollar / Sterling exchange rate					
Year End	**$1.20**	$1.35	$1.37	$1.32	$1.28
Average	**$1.23**	$1.38	$1.29	$1.28	$1.33

Cost Income Ratio has been calculated using total costs (excluding impairment) /total income.

NPL Ratio is calculated as gross non-performing loans/loans to banks and customers (excluding bank placements).

CHAIRMAN'S STATEMENT

Opening Remarks

It is my pleasure to present the 2022 financial report for Union Bank UK. This report details the Bank's performance in the year and notes the challenging operating environment.

Share and Purchase agreement

In May 2022, as part of a transaction whereby Union Bank of Nigeria (UBN) was purchased by Titan Trust Bank, UBN divested its entire equity stake in UBUK. UBN was the immediate controlling party of UBUK until that point.

The Bank is now owned by the former shareholders of UBN, i.e. the shareholders who sold UBN to Titan Trust Bank, as detailed in note 35. The shareholders subsequently entered into a share Sale and Purchase agreement ('SPA') with a preferred bidder, Fidelity Bank, in July 2022. The sale is subject to regulatory approval and is expected to conclude in 2023.

Whilst this process continues, UBUK remains committed to serving its current customers and operating as a leading provider of specialised financial services to target clients with interests in the UK and Africa. The Board and management of UBUK continue to operate UBUK as a going concern.

2022 Financial Performance

Our performance in 2022 reflects a continuing period of transition. In particular, whilst the sale process has been ongoing, the Bank has maintained a cautious approach in its use of liquidity and the level of deposits held, which in turn has had a corresponding impact on the level of assets maintained.

In addition to a smaller balance sheet, two major macroeconomic changes drove a better financial performance by the Bank despite the smaller balance sheet:

- Interest rates rose throughout the year, with the rises increasing towards the end of the year. The US Federal Funds rate was 0.25% on 1 January 2022, rising to 1.75% at the end of June and 4.5% at the end of December. Similarly, the UK Bank of England base rate was 0.25% on 1 January 2022, rising to 1.25% at the end of June and 3.5% at the end of December.
- The USD / GBP exchange rate can similarly be looked at as two distinct movements in 2022. The first was fairly steady fall from 1.35 at the start of 2022 to 1.07 towards the end of September, subsequently recovering to 1.21 at 31 December.

The war in Ukraine has had considerable effect on international food and energy markets. Oil prices rose over 50% from the end of 2021 to Q2 2022, which should benefit Nigeria's economy, though it would appear that Nigeria did not enjoy much of the oil price increases due to drop in the country's oil production levels. Prices by the end of the year had fallen back to similar levels to December 2021. International trade in food was disrupted, though the Bank has such a small share of global trade that the effects were minimal.

Inflation increased significantly in all major markets, including the UK and Nigeria, where annual inflation rose from 15.6% in December 2021 to 21.3% in December 2022. To date, the only effect on the Bank has been through the increase of interest rates by central banks in order to lower inflation. The increase in interest rates meant that gross earnings remained approximately at their 2021 level of $4.4m (2021: $4.5m), despite the lower level of deposits held by the Bank, because of the increased return on the smaller number of assets.

The fall in the USD/GBP exchange rate means that our annual costs, which are predominantly incurred in GBP, decreased by 12% to $9.2m (2021: $10.4m). This resulted in a lower pre-tax loss before impairment of $5.2m (2021: loss $6.4m).

The Bank has continued to demonstrate its resilience and adaptability throughout 2022, with the Bank having adopted hybrid working between working from home and working from the office when UK Covid restrictions have allowed. I am pleased that the Bank has been able to maintain both customer service levels and a robust control environment throughout this enforced change.

2023 Outlook

The worst of the Covid-19 pandemic and its immediate effects thankfully appears to have passed. Despite challenging times for some of the Bank's borrowers, the Bank has not suffered any financial losses due to the pandemic to date.

CHAIRMAN'S STATEMENT

CONTINUED

The macroeconomic outlook in 2023 is likely to see both USD and GBP interest rates plateau, with inflation easing from recent high levels in the US and UK. Inflation in the Bank's target market, however, will continue to be higher than in the UK and US, and the restricted levels of USD in Nigeria appear set to continue, which may impact economic activity. The Bank will continue to serve its current customers and target market both through these circumstances and whilst Fidelity Bank continues to seek regulatory approval for the purchase of the Bank.

Finally, I would like to express my appreciation to all our external stakeholders, including our customers, investors and partners, for their sustained confidence in and loyalty towards the Bank. My appreciation also extends to all our employees, for their critical role in adapting to 2022's challenges and realising the Bank's corporate aspirations.

Thank you.

Gavin Laws

Gavin Laws
Chairman

DIRECTORS AND ADVISERS

Gavin C Laws	Independent non-executive and Chairman of the Board
David Forster	Managing Director/Chief Executive
Kandolo S Kasongo	Non-executive Director & Chairman of Remuneration & People Committee (resigned 27 June 2022)
Nigel J Richards	Independent non-executive and Chairman of the Risk Committee
Emeka Okonkwo	Non-executive Director appointed 25 May 2018
Olubunmi B Adeoye	Non-executive Director appointed 5 August 2022
Mark Patterson	Non-executive Director appointed 5 August 2022
Derek A Chime	Non-executive Director appointed 5 August 2022
Kenroy A Dowers	Non-executive Director appointed 5 August 2022

Secretary:	P.R Hartley F.C.A	London, EC2R 7AF
Registered Office:	1 King's Arms Yard,	London, EC2R 7AF
Solicitors:	Hogan Lovells LLP	Atlantic House, London, EC1A 2FG
Auditors:	BDO LLP	55 Baker Street, London, W1U 7EU

PRINCIPAL OFFICERS

Management Committee:

David Forster	Managing Director/Chief Executive
Kajal Agnihotri	Senior Manager, Risk
Gino Brenzini	Director, Chief Operating Officer (resigned 18 November 2022)
Farhood Hieydary	Associate Director, Treasury
Tola Awosika	Senior Manager, Compliance
Janet A Ntuk	Associate Director, Corporate Resources
Simon Toller	Associate Director, Finance
Martin Uzus	Associate Director, Business Development

Note that David Hayes held the post of Chief Risk Officer until 31 March 2022 and Charles Ladeji held the post of Associate Director, Compliance, until 30 June 2022, and were part of the Management Committee until their departures.

STRATEGIC REPORT

Overview
Union Bank UK's ('UBUK' or 'the Bank') strategic aim was to primarily serve as an extension of Union Bank of Nigeria in the UK, serving and partnering with our clients on their specialised financial needs revolving around regional and international trade, until UBN sold the Bank in May 2022. Following the sale, our focus continues to be building our core business segments of Retail, Treasury/Corporate and Commercial both vertically, by offering a competitive range of products, and horizontally so that our customers recognise UBUK for all their banking needs.

Performance
The Bank's performance in 2022 reflected lower business volumes as the Bank cautiously managed its liquidity whilst ensconced in the sale process, combined with higher interest rates in the latter half of the year. This produced a pre-tax loss of US$5.38m against the previous year loss of US$5.97m.

Interest income at US$3.3 is up on the 2021 figure of US$3.1m due to the increased interest rates prevailing in the market, albeit on a smaller asset book. Dealing and exchange gains at US$0.1m remained at their 2021 level of US$0.1m. Fee and commission income at US$1.0m were down on the previous year of US$1.2m.

Costs were again maintained within budget for the year and fell from $10.5m to $9.4m as a result of the weakening of GBP against the USD, while impairment charges amounted to US$0.14m against the previous year of US$0.0m.

Position
Total assets of the Bank decreased from $171m at 31 December 2021 to $97m at 31 December 2022. The majority of the Bank's assets were loans and advances to banks, being $65m at 31 December 2022 ($111m at 31 December 2021).

Loans and advances to customers decreased from $16m at 31 December 2021 to $4m at 31 December 2022 following the repayment of two major GBP loans to customers (totalling $10.9m) which were not replaced by other GBP business, whereas cash and cash equivalents decreased from $9m at 31 December 2021 to $5m at 31 December 2022.

The overall decrease in assets was driven by the decrease in the Bank's liabilities. Of the $69m decrease in liabilities, the biggest reduction was in the amount of cash cover than UBN placed with the Bank to support Letters of Credit and other trade instruments, which fell by $46.3m; from $60.8m in December 2021 to $14.5m at December 2022. Other major contributors to the reduction in liabilities include a reduction of $13m in customer current accounts, across a variety of customers (the highest individual reduction by a customer being $6.3m), and the GBP term deposits which the Bank had sourced via deposit aggregators to support GBP business. These GBP deposits fell by $10.5m; as the Bank's GBP customer loans fell by $10.9m, the Bank allowed this amount of term deposits to mature as they fell due without seeking replacement.

Key Performance Indicators
The key indicators of the Bank's performance monitored by the Board are those relating to profitability as measured by the pre-tax return on equity (ROE) and Capital over risk weighted assets.

In the 12 months to 31 December 2022, the Bank's capital over risk weighted assets was 54% (2021: 40%) and loss on equity was 15.2% (2021: loss of 14.6%). This metric is skewed by the reduction in capital over the year, given that the Bank incurred a lower loss in 2022 than 2021, but with proportionally lower capital. The key indicator of efficiency monitored by the Board is the cost/income ratio which moved to 231% from 263% in 2021 reflecting the reduction in costs noted above.

The Bank recognises that the movement in Sterling/US$ rates can impact (and has impacted) on its costs and it would take appropriate steps if there is a significant negative movement. The Bank's results are shown in the statement of comprehensive income on page 22, with the impact on shareholders' funds shown in the statement of changes in equity on page 24.

We recognise our Corporate Responsibility and are committed to ensuring our business practices have a positive effect on our staff, clients and society as a whole. We achieve this through adhering to key corporate objectives and values of a high standard which are set and pursued in the context of the current social and regulatory environment. We know that sustainable business success depends on the engagement of our people and with our community.
The Bank continues to develop its Climate Risk Strategy that meets the PRA's Supervisory Statement on 'Managing the Financial Risks from Climate Change' during the year, led by the Chief Risk Officer ("SMF 4"). This includes:

- A *Climate Risk Policy*, which follows the 5 Pillars approach of our Enterprise Wide Risk Framework, and includes a mission statement setting out the Bank's overarching commitment and approach to climate risk.

STRATEGIC REPORT (continued)
Key Performance Indicators (continued)

- A *Climate Risk Framework* which sets out the Bank's approach and practical application of the Climate Policy and provide a means for assessing the risks on particular business activities as relevant to the scope of our business and client base.
- A *Climate Change Risk Assessment* assessing the short, medium and long-term risks of climate change.
- Working with a leading specialist the Bank is using science-based carbon accounting to develop a *Climate Risk Assessment* to benchmark our own operations and CO2 emissions.

Following the future sale of UBUK and the formation of a new Board, the Climate Strategy will be reassessed in relation to the new strategic direction and business opportunities, at which time they will be re-presented to the new Board for adoption.

Future Prospects

As noted in the Chairman's statement, Fidelity Bank are seeking regulatory approval for the purchase of UBUK.

The Bank remains committed to serving its current customers and target market whilst regulatory approval is sought and will continue to be a leading provider of specialised financial services to target clients with interests in the UK, Europe and Africa.

Risk Management

The Board of Directors is ultimately responsible for risk management policies, limits and risk appetite. It is supported by two of its standing Committees, the Board Risk Committee and Board Audit & Compliance Committee that assist in formulating policy and provide strategic direction for all aspects of risk management. These Committees, in turn, charge management to develop, update and implement these policies, controls and limits with risk management ensuring that there is no event or combination of events that will materially affect the stability of the Bank.

Management operates through a number of committees, namely The Asset and Liability Committee ('ALCO'), Management Risk Committee, Credit Committee and Management Committee, each having its own terms of reference.

All credit decisions and new products require the approval of one or more committees depending on the amount required and are initially reviewed and recommended by the Risk Department before submission to the relevant committee for approval. Risk will monitor the credit until drawdown to ensure all conditions precedent are met. All portfolios and limits are continuously monitored by senior management via the monthly Management Risk Committee.

Principal Risks and Uncertainties

The principal risks associated with the business of the Bank are credit risk, liquidity risk, market interest rate risk and operational risk. The Bank has established a comprehensive enterprise risk management framework to manage these risks, guided by the Basel Committee's principles for sound risk management and compliance with Basel III and FCA and PRA prudential regulations, including those in respect of liquidity risk.

Section 172(1) statement

The sale process continues to have the biggest impact on the Bank's stakeholders in 2022, as noted in the Chairman's statement.

The employees are the Bank's most valuable asset, as recognised by the Directors in the "Employee Matters" section of the Directors' Report. Staff engagement continues to be undertaken to understand employees' wishes regarding the balance of working from home and the office following the return to unrestricted movements post-pandemic, which are given due priority as working practices are re-evaluated.

Maintaining the Bank's reputation with Regulators and other stakeholders continues to be of paramount importance to the Bank. The Bank will continue to undertake its business adhering to the highest standards of conduct and culture, as detailed in the "Corporate Culture and Values" section of the Directors' report. We will keep all stakeholders fully informed and hold regular dialogue with the Regulator.

STRATEGIC REPORT (continued)
Section 172 (1) statement (continued)

As already highlighted in this Directors' Report the Bank has a clearly defined process for risk identification, assessment and mitigation and has identified those reputational risks associated with the sale and ensured mitigants are in place.

Management will continue to closely follow the global health and economic situation with an emphasis on Nigeria via the ALCO and evaluate the possible short and long term impact on our portfolios. In addition, the Bank makes an assessment with regard to current and prospective regulatory developments and their likely impact on the Bank's capital and liquidity requirements, and the Bank's approach to the management of its other key risks, as well as current budgets and financial forecasts for profitability, capital and liquidity requirements including under possible future business models. The Bank is satisfied that as a result of these assessments and its prudent approach to risk management, there would be no unexpected negative impact from these factors.

Approved by the Board of directors and signed on behalf of the Board.

D J Forster

David Forster

Managing Director / Chief Executive 24th March 2023

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2022.

Principal Activities
Union Bank UK plc ('UBUK' or the 'Bank') was incorporated in England and Wales on 10th February 2003 as a wholly owned subsidiary of the Union Bank of Nigeria Plc ('UBN'), though was sold in May 2022 as detailed in the Chairman's Report.

The Bank is authorised under the Financial Services and Markets Act 2000 (FSMA 2000), to carry on regulated financial services activities, including deposit-taking and dealing in investments as principal. The business of the Bank includes the provision of retail and commercial banking, treasury and trade finance services.

The Bank has established and maintains the management structure, policies, systems and procedures necessary to enable full compliance with the rules and regulations of the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA').

Directors
The directors of the Bank at the date of this report and those who served during the year ended 31 December 2022, are as follows:

Mr GC Laws	-	Independent non-executive and Chairman of the Board
Mr DJ Forster	-	Managing Director/Chief Executive
Mr KS Kasongo	-	Non-executive (resigned 27 June 2022)
Mr NJ Richards	-	Independent non-executive
Emeka Okonkwo	-	Non-executive Director appointed 25 May 2018
Olubunmi B Adeoye	-	Non-executive Director appointed 5 August 2022
Mark Patterson	-	Non-executive Director appointed 5 August 2022
Derek A Chime	-	Non-executive Director appointed 5 August 2022
Kenroy A Dowers	-	Non-executive Director appointed 5 August 2022

Going Concern Basis of Preparation

The financial statements are prepared on a going concern basis.

In keeping with the guidance issued by the Financial Reporting Council, the Board has considered formally whether it is appropriate to prepare the financial statements on a going concern basis and has concluded that the Bank has sufficient liquidity and capital to continue to trade for at least two years from the date of signing these accounts.

The Board does recognise, however, that the Bank requires refinancing. This is expected to be provided following the expected regulatory approval of the purchase of the Bank by Fidelity Bank in 2023.

Whilst the Board do expect that regulatory approval for the purchase of the Bank by Fidelity Bank will be received, the Board is mindful that the option of the closure of the Company through a solvent wind down will be included within the decision-making process, and the capital required to enact one in stressed circumstances, needs to be maintained should the purchase by Fidelity Bank either not conclude or be significantly delayed.

The Board are pleased that, since reporting on the 2021 accounts, Fidelity Bank have emerged as a credible buyer and that the process of receiving the refinancing is now clear. However, due to the refinancing of the Bank depending on regulatory approval of a change in control and the option of the solvent wind down in the event the approval is not successful, the Board consider that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern

Financial Results
The Bank's financial statements are prepared in accordance with UK adopted international accounting standards. The functional currency of the Bank for financial reporting purposes is the US Dollar (US$), being the currency in which the majority of its assets, liabilities, capital and revenues are denominated.

DIRECTORS' REPORT
CONTINUED

The financial statements for the year ended 31 December 2022 are shown on pages 22 to 60. The loss for the year after taxation amounted to US$ 5,310,572 (2021: US$ 5,966,124 loss).

The directors do not propose a dividend for the year ended 31 December 2022 (2021: US$nil).

Financial Risk Management

The principal risks associated with the business of the Bank are highlighted in the Strategic Report but are credit risk, liquidity risk, market interest rate risk and operational risk.

The Bank has established a comprehensive enterprise risk management framework to manage these risks, guided by the Basel Committee's principles for sound risk management and compliance with Basel III and FCA and PRA prudential regulations, including those in respect of liquidity risk. The Board establishes the risk governance structure and sets the overall risk appetite for both risks to the capital and the liquidity position of the Bank, together with key risk management policies, including limits relating to credit, market and liquidity risks. The framework provides for independent oversight of business units, risk identification, assessment and measurement, as well as stress testing of key risks and various other risk mitigations and monitoring techniques.

Financial and other risks are assessed and documented as part of the Bank's Internal Capital Adequacy Assessment Process ('ICAAP') whereby 'treated risk' after mitigation is considered and internal capital allocated accordingly. The assessment of risks and allocation of capital recognises the Bank's commitment to the Nigerian and African markets. These include political, infrastructure and concentration risks, including dependence on industry sectors such as oil and gas. These risks are significantly mitigated by virtue of the specialised knowledge and experience of the Bank and UBN, which permits the taking of informed decisions as to risk assumption and mitigation.

The Bank has a clearly defined risk appetite including policies for the identification of key risks and also has in place Credit Grading and Key Risk Indicator tools.

The Bank also prepares an Internal Liquidity Adequacy Assessment ('ILAA'). The framework is designed to assess whether the Bank is able to survive liquidity stresses of varying magnitude and duration, including the provision to build up a liquidity asset buffer ('LAB') of UK Government or similar quality securities to be used in a liquidity stress event. In addition to this, the Bank maintains, at all times, positive liquidity ratios which are measured and monitored on a daily basis. Further information concerning the Bank's policies for managing risks associated with financial assets and liabilities is set out in note 30 to the financial statements.

Operational risk is monitored via Risk Incident Reporting from which Key Risk Indicators are generated which are aligned with the Bank's appetite statement and further supplemented by a Key Control Self-Assessment process.

The Bank has also completed a Recovery plan. The process includes identifying events and triggers thereto which would force the Bank to need to recover from an actual or imminent failure of all or part of its business and agreeing, in consultation with the twin regulatory authorities, the critical economic functions undertaken by the Bank for which a Resolution Pack will be put in place to be used by those authorities or their appointed agents.

Developments in Financial Regulation

The Bank continues to monitor developments in relation to Basel III. In addition to traditional capital requirements, banks are required to build up Capital Requirements Directive IV ('CRDIV') buffers, Capital Conservation and Counter Cyclical Buffer ('CCyB').

The Bank of England's Financial Policy Committee ('FPC') raised the CCyB rate for UK exposures to 1.0% from 13 December 2022, and has announced that the CCyB rate will increase further to 2% from 5 July 2023.

On Friday 9 July 2021 the PRA published PS17/21 'Implementation of Basel standards' setting out its rules for the implementation of international standards through a new PRA Capital Requirements Regulations (CRR) rule instrument 8. As part of this, certain provisions in the CRR, and CRR Level 2 Regulations (referred to as 'CRR restatement provisions') are not changing materially but have been transferred into PRA rules and became applicable on Saturday 1st January 2022.

DIRECTORS' REPORT
CONTINUED

The Bank continues to maintain HQLA 10% above the regulatory minimum in order to maintain the Pillar 1 Liquidity Coverage Ratio at required levels. On the 1st January 2022 the Net Stable Funding Ratio was added to liquidity Pillar 1 standard. The European Banking Authority ('EBA') introduced Common Reporting Standards in 2014. These standards were replaced with the PRA Capital Requirements Regulation on 01 January 2022. The Bank continues to report the data items set to its reporting portfolio to Prudential Regulation Authority UK ('PRA').

Future Developments

The Bank remains committed to serving its current customers and target market whilst Fidelity Bank seek regulatory approval for the purchase of the Bank.

Replacement of the LIBOR benchmark

In April 2017, the regulatory body reviewing LIBOR; the Risk Free Rate Working Group recommended that LIBOR should no longer be used as a market reference rate. Historically, the Bank has used LIBOR to hedge the risks associated with having medium to long term fixed rate instruments on its balance sheet.

Following the cessation of LIBOR the Bank no longer prices any transactions using Libor.

The Bank is a junior member of two syndicated transactions with Libor-linked pricing. The Bank's exposure totalled $5.1m at 31 December 2022 (2021: $10.4m). The facility agreements provide for options of alternative pricing benchmark in their various loan documentations in the absence of Libor.

Corporate Culture & Values

UBUK has, at its heart, the corporate values of Initiative, Customer Focus, Accountability, Respect and Efficiency ("I-Care"). These values are the foundation of our dealings with our customers, and each other, and are regularly reviewed by the Board and staff to ensure that we have a working culture that sustains our position as a highly respected provider of quality banking services. The Bank promotes compliance with the "spirit" as well as the "rule" of regulation, and that all risks should be fully identified, assessed and understood before they are incurred. The Bank operates a "Three Lines of Defence" business model, to promote effective and controlled risk taking.

Information Management

The Bank seeks to ensure that expenditure on IT and Communications remains appropriate to meet all regulatory and business needs.
The Bank recognises the importance of safeguarding client data and has developed policies and physical and logical access controls which, coupled with staff awareness training, are designed to protect against data loss.

Employee Matters

The Bank recognises that its performance is dependent on the quality of its work force and the investment it makes in training and development. It is the Bank's policy that its staff should have the opportunity to develop to their full potential, promote its business in a manner consistent with the highest standards and recognise its environmental and other responsibilities as a corporate citizen. Staff competencies, training and development are planned consistently with corporate objectives, including the management of risk, and staff are appraised and rewarded accordingly.

Business relationships

The biggest impact on the Bank's business relationships during 2022, including suppliers, customers and others, was operating whilst being in the process of being purchased, as noted in the Chairman's statement.

As Fidelity Bank seeks regulatory approval for the purchase of the Bank, the Bank will continue to build on its strengths in international markets and maintain and leverage relationships with the Bank's existing partners to improve product and service delivery.

DIRECTORS' REPORT
CONTINUED

Property and Equipment, Intangible Assets

Changes in property and equipment and intangible assets are set out in notes 21 and 22 to the financial statements.

Climate and energy considerations

Over the financial year to 31st December 2022 the Bank used 189 MWh of energy (2021: 79.5 MWh). This represents the aggregate of (a) the annual quantity of energy consumed from activities for which the Bank is responsible; and (b) the annual quantity of energy consumed resulting from the purchase of electricity by the company for its own use. The increase is due to significantly increased occupation of the Bank's offices in 2022 compared to 2021 when coronavirus restrictions resulted in minimal office occupation until October 2021. The Bank consumed no energy for the purposes of transport.

With the help of the Bank's landlord all the energy purchased and consumed by the Bank during the year was provided by the Dark Green energy provider- Ecotricity. Ecotricity are Britain's greenest energy company. All of their electricity is certified green, 100% renewable and also certified vegan. Their gas is a mix of carbon-neutralised natural gas and sustainable green gas. The company have no shareholders, so, instead of paying dividends they invest all bill revenues in building new forms of green energy.

UBUK have contracted to use Normative for our emissions impact calculation. Normative deliver actionable sustainability intelligence to reduce companies' emissions and calculate 100% of our climate footprint — scope 1, 2 and 3 emissions, following the Greenhouse Gas Protocol (GHGP). For the year ended 2022 the Bank's emissions are:

Scope 1	0 tCO_{2e}
Scope 2	75.3 tCO_{2e}
Scope 3	23.7.3 tCO_{2e}

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 of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

Auditors

The Board approved BDO's reappointment.

By order of the Board on 24th March 2023.

D J Forster

David Forster
Managing Director / Chief Executive
1 King's Arms Yard
London, EC2R 7AF

DIRECTORS' RESPONSIBILITIES AND CORPORATE GOVERNANCE

Statement of Directors' Responsibilities in respect of the Strategic Report and Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The Banks's financial statements are prepared in accordance with UK adopted international accounting standards.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the Directors' Report and financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Corporate Governance

The Board of Directors of the Bank comprises one executive director, five non-executive directors appointed by the shareholders, and two independent non-executive directors, one of whom is the chairman of the Board.

The Board meets at least quarterly and has defined responsibilities for the overall direction, supervision and control of the Bank, including assessment of the Bank's competitive position, approval of strategic and financial plans and review of performance and financial status. It reviews and approves significant changes in the Bank's structure and organisation and establishes the risk framework, overall risk appetite and key policies in relation to credit, large exposures, impairment, liquidity and operational risk. The Board also approves and monitors the Bank's policies, procedures and processes in connection with the fight against financial crime.

The Board has three standing committees: the Board Risk Committee ('BRC'), the Board Remuneration & People Committee ('BRPC') and the Board Audit & Compliance Committee ('BACC'). These standing committees are chaired by independent directors and have written terms of reference and, with the exception of the BACC, defined limits of authority. The BRC meets as often as required but at least quarterly, the BACC and the BRPC meets quarterly.

The primary function of the BRC is to consider credit proposals in excess of the limits of authority of the executive Assets & Liabilities and Credit Committees of the Bank, and to monitor compliance with the Bank's credit, large exposure, impairment, liquidity and market risk policies.

DIRECTORS' RESPONSIBILITIES AND CORPORATE GOVERNANCE
CONTINUED

Corporate Governance (continued)
The BACC comprises of all independent non- executive directors and one non-executive director and is chaired by a financially experienced individual. The MD/CEO, the Chief Financial Officer, the CRO, the Compliance Manager, a representative of the outsourced Internal Auditors and a representative of the external auditors shall attend meetings only at the invitation of the Committee. The primary functions of the BACC are to assist the Board in fulfilling its oversight responsibilities by monitoring and assessing the integrity of financial statements, the qualifications, independence and performance of external auditors, compliance with legal and regulatory requirements and the adequacy of systems of internal accounting and financial controls. Its assessment of the internal control environment is made by reviewing and approving the plans of Internal Audit and considering and questioning management on operational audit reports.

The BACC also approves the appointment of, and fees paid to, the external auditors for all audit and non-audit work. It is also responsible for the appointment of the outsourced Internal Auditor.

The BRPC has responsibility for considering matters related to human resource policy, including compensation arrangements. In particular, it reviews and recommends to the Board both overall compensation pools and the remuneration of executive directors and certain other members of senior management. It has responsibility also for certain matters relating to the working environment of staff and insurance arrangements.

By order of the Board on 24th March 2023.

D J Forster

David Forster
Managing Director / Chief Executive
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London, EC2R 7AF

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNION BANK UK PLC

Opinion on the financial statements

In our opinion the financial statements:
give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
have been properly prepared in accordance with UK adopted international accounting standards;
have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Union Bank UK Plc (the 'Company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 4 August 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 9 years, covering the years ended 31 December 2014 to 31 December 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Material uncertainty related to going concern

We draw attention to note 2(b) in the financial statements, which indicates that the Company requires refinancing which is dependent on regulatory approval of a change in control, which if not concluded or significantly delayed, one option that will be included within the resulting decision-making process is closure of the Company through a solvent wind down process. As stated in note 2(b), these events or conditions, along with other matters as set out in note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In light of the matter disclosed above and our risk assessment, going concern was determined to be a key audit matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the

Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting and our response to the key audit matter included:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNION BANK UK PLC
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We have discussed the Company's position in the change of control process with the management and those charged with governance to determine the timeline for completion and alternative scenarios for the Company's future considered by them;
We obtained the forecasts prepared by the Directors and tested the arithmetic accuracy of these forecasts. We obtained an understanding of the underlying assumptions used to calculate these forecasts such as the forecasted monthly losses, forecasted credit losses and cost to enact Solvent Wind Down. We then challenged the Directors as to the validity of these assumptions and checked they are consistent with the current financial and strategic position of the Company;
We reviewed the sensitivity analysis performed by the Company and performed our own sensitivity analysis to check that even in a stress scenario, the Company will meet the capital requirements and have sufficient liquidity buffers in place to continue operations;
We performed a retrospective review of the prior year forecasts by comparing to current year actuals, to assess the historical accuracy of the forecasts;
We reviewed correspondence with the Regulators and minutes of Board meetings, in order to ascertain whether there were other matters that may impact the Company's ability to continue as a going concern;
We reviewed post year end information including management accounts and minutes of Board meetings up until the date of signing the financial statements in order to ascertain whether there were other matters that may impact the Company's ability to continue as a going concern ; and
We reviewed the adequacy and appropriateness of disclosures in the financial statements, regarding the going concern assessment.

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

Overview

Key audit matters		**2022**	**2021**
	Loan Loss Provisioning	☑	☑
	Going Concern	☑	☑
Materiality	$266,000 (2021: $309,000) based on 0.75% of Net Assets		

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified, 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. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matter below to be the key audit matter to be communicated in our report. These matters 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.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF UNION BANK UK PLC
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Key audit matter		**How the scope of our audit addressed the key audit matter**
Loan loss provisioning The year-end provision as disclosed in Notes 2(f) and 3(h) in the financial statements is \$273k (2021: \$129k)	The principal activity of the Company is the provision of credit services to banks, corporate and individual customers. Commensurate with the activities of the Company, the total loan loss provision is material and subject to management judgement and estimation.	We evaluated the appropriateness of the Company’s ECL provisioning methodology. This included obtaining managements methodology paper covering initial recognition, classification and subsequent measurement which we assessed against the requirements of IFRS 9.
	We considered Expected Credit Loss (ECL) to be an elevated risk due to the following:	We evaluated the selection and source of the information used by management in determining PDs, Loss given default (LGDs) and Exposure at default (EADs), by comparing a sample of the information to the underlying banking system and external data sources. On a sample basis, we assessed management’s estimate for individual loans’ collateral valuation by obtaining and confirming the existence, rights and valuation of the collateral to supporting documents including managements valuations obtained from their external expert, where appropriate. We assessed the objectivity, independence and competence of managements experts.
	(1) Provisioning involves estimates and judgements; the most significant are Probability of default (PDs) and the Corporate Significant increases in credit risk (SICR) triggers identified that gives rise to staging under IFRS 9 Financial Instruments; and	With the assistance of our internal IT specialist we reviewed the code applied to calculate the ECL provision to check its compliance with the stated accounting policies, and to assess the accuracy of the model. We analysed the components of the loan book and assessed the Company’s processes for identification and treatment of underperforming loans, by comparison to the accounting standards and industry practices.
	(2) Underlying assumptions used in the macro-economic scenarios are subject to management bias and judgement, giving rise to the potential risk of misstatement relating to the weighting of base / worst / better case scenarios.	We evaluated and challenged the Company’s determination of what constitutes a SICR with reference to accounting standards and industry practices. We tested a sample of the Company’s credit review files, to determine if SICR has been applied in line with the Company’s methodology.
	For these reasons we considered the loan loss provisioning and the related disclosures to be a key audit matter	With the support of our internal economics expert, we assessed the appropriateness of the regression models used and the macroeconomic variables, such as GDP and Corporate insolvency rates.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNION BANK UK PLC
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Key audit matter		How the scope of our audit addressed the key audit matter
		We assessed the reasonability of multiple economic scenarios used, including the number, weighting and probability changes, by performing sensitivity analysis. We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards. Key observations: Based on our audit work performed, we consider the estimates made by management in the calculation of the ECL provision to be reasonable, and in line with the requirements of IFRS 9.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	2022 $	2021 $
Materiality	266,000	309,000
Basis for determining materiality	0.75% Net Assets	
Rationale for the benchmark applied	Net assets were considered to be the most appropriate benchmark as the focus of stakeholders is primarily on the statement of financial position.	
Performance materiality	200,000	231,000
Basis for determining performance materiality	75% of materiality, determined on the basis of our risk assessment together with our assessment of the overall control environment.	

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Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $5,300 (2021:$6,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or the financial statements are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNION BANK UK PLC
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Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNION BANK UK PLC
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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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included, but were not limited to, compliance with Companies Act 2006 and UK adopted international accounting standards. We also considered the company's compliance with the licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and relevant tax legislation.

We focused on laws and regulations, non-compliance with which could give rise to a material misstatement in the company financial statements. Our procedures included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- with the assistance of our tax specialist, assessing the Company's compliance with applicable tax legislation;
- enquiring of management regarding their controls and processes in place to ensure compliance with respective laws and regulations;
- enquiring of management and those charged with governance regarding any known or suspected non-compliance with laws and regulations and instances of fraud;
- reading minutes of meetings of those charged with governance and correspondence with the FCA and PRA for instances of non-compliance with laws and regulations and fraud;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNION BANK UK PLC
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We assess the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls and the potential for fraud to arise within accounting estimates such as the loan loss provision. Our procedures in response to these risks included:
in addressing the risk of fraud through management override of controls, testing a sample of journal entries for appropriateness by agreeing them to supporting documentation; and
assessing whether the judgements made in accounting estimates are indicative of management bias. Refer to the Key Audit Matter – Loan Loss Provisioning.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ariel Grosberg
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Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

24 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 US$'000	Year ended 31 December 2021 US$'000
Interest income	5	3,275	3,113
Interest expense	6	(432)	(472)
Net interest income		**2,843**	2,641
Fees and commission income	7	1,003	1,202
Dealing and exchange gains	8	125	106
Total income		**3,971**	3,949
Administrative expenses	10	(8,495)	(9,496)
Depreciation and amortisation	21/22/33	(563)	(623)
Bad debt recovered/written off		-	67
Impairment charge and reversal	20	(144)	472
Other operating expense	9	(151)	(335)
Loss before tax		**(5,382)**	(5,966)
Tax credit	14	-	1
Loss for the year after tax		**(5,382)**	(5,965)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Unrealised, net change in fair value of financial assets measured at FVOCI		3	(3)
Other comprehensive income/(loss) for the year		3	(3)
Total comprehensive loss for the year		**(5,379)**	(5,968)

The result is derived entirely from continuing activities.

The notes on pages 26 to 60 form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 US$'000	2021 US$'000 (restated)
Assets			
Cash and cash equivalents	16	5,431	8,999
Loans and advances to banks	18	65,437	110,627
Loans and advances to customers	19	3,564	16,168
Financial assets measured at FVOCI	17	18,123	30,284
Intangible assets	22	507	608
Property and equipment	21	44	90
Right-of-use-assets	33	2,052	2,430
Tax debtor		-	253
Other assets	23	850	838
Prepayments		625	598
Total Assets		**96,633**	170,895
Liabilities			
Deposits by banks	24	19,943	69,104
Customer accounts	25	38,278	57,304
Lease liabilities	33	2,065	2,728
Other liabilities	26	653	640
Accruals and deferred income	27	175	221
Total Liabilities		**61,114**	129,997
Equity			
Called up share capital	28	60,090	60,090
FVOCI reserve		(4)	(7)
Retained losses		(24,567)	(19,185)
Equity		**35,519**	40,898
Total Liabilities and Equity		**96,633**	170,895

The reported figures for the year ended 31 December 2021 have been restated. Details of the restatement are disclosed in note 2 (e) (i) of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 24th March 2023. Signed on behalf of the Board of directors:

D J Forster

David Forster
Managing Director / Chief Executive

The notes on pages 26 to 60 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share Capital US$'000	FVOCI Reserves US$'000	Retained Losses US$'000	Total Equity US$'000
Balance as at 1 January 2021	**60,090**	**(4)**	**(13,220)**	**46,866**
Total comprehensive loss for the year				
Change in fair value of assets measured at FVOCI	**-**	**(3)**	**-**	**(3)**
Loss for the year	**-**	**-**	**(5,965)**	**(5,965)**
Balance attributable to equity shareholders as at 31 December 2021	**60,090**	**(7)**	**(19,185)**	**40,898**
Total comprehensive loss for the year				
Change in fair value of assets measured at FVOCI	-	3	-	3
Loss for the year	-	-	(5,382)	(5,382)
Balance attributable to equity shareholders as at 31 December 2022	**60,090**	**(4)**	**(24,567)**	**35,519**

The notes on pages 26 to 60 form part of these financial statements

STATEMENT OF CASH FLOWS

	Note	2022 US$'000	2021 US$'000 (restated)
Loss before tax		(5,382)	(5,966)
Adjustments for:			
Depreciation and amortisation		185	231
Amortisation of rights of use assets	33	378	392
Amortisation of discounts received/premiums paid		(245)	2
Loss on disposal of intangible assets		1	3
Bad debt recovered/(written off)		23	(67)
Exchange differences -finance lease liability		(292)	151
Interest on finance lease liability		102	132
Impairment of loans and advances		144	(472)
		(5,086)	(5,594)
Change in loans and advances to banks		45,036	124,032
Change in loans and advances to customers		12,591	(2,208)
Change in other assets		(12)	231
Change in prepayments		(27)	(37)
Change in deposits by banks		(49,159)	(82.843)
Change in customer accounts		(19,026)	(27,001)
Change in other liabilities		12	(360)
Change in accruals and deferred income		(47)	(111)
Cash (used in)/generated from operations		**(15,718)**	6,109
Acquisition of financial assets		(40,469)	(45,473)
Disposal of financial assets		52,877	41,565
Income tax received		253	-
Net cash (used in)/generated from operating activities		(3,057)	2,201
Acquisition of tangible and intangible assets		(38)	(389)
Net cash flow used in investing activities		**(38)**	(389)
Leasehold property repayments		(473)	(529)
Net cash used in financing activities		**(473)**	(529)
Net (decrease)/ increase in cash and equivalents		(3,568)	1,283
Cash and cash equivalents at 1 January		8,999	7,716
Cash and cash equivalents at 31 December	**16**	**5,431**	8,999

The reported figures for the year ended 31 December 2021 have been restated. Details of the restatement are disclosed in note 2 (e) (ii) of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

Union Bank UK plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is given on page 6.

Information concerning the principal activities and operations of the Bank and its regulatory status is set out in the Directors' Report and in the notes to the financial statements.

2. Basis of presentation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with UK adopted international accounting standards.

(b) Going concern basis of preparation

The financial statements are prepared on a going concern basis.

In keeping with the guidance issued by the Financial Reporting Council, the Board has considered formally whether it is appropriate to prepare the financial statements on a going concern basis and has concluded that the Bank has sufficient liquidity and capital to continue to trade for at least two years from the date of signing these accounts.

The Board does recognise, however, that the Bank requires refinancing. This is expected to be provided following the expected regulatory approval of the purchase of the Bank by Fidelity Bank in 2023.

Whilst the Board do expect that regulatory approval for the purchase of the Bank by Fidelity Bank will be received, the Board is mindful that the option of the closure of the Company through a solvent wind down will be included within the decision-making process, and the capital required to enact one in stressed circumstances, needs to be maintained should the purchase by Fidelity Bank either not conclude or be significantly delayed.

The Board are pleased that, since reporting on the 2021 accounts, Fidelity Bank have emerged as a credible buyer and that the process of receiving the refinancing is now clear. However, due to the refinancing of the Bank depending on regulatory approval of a change in control and the option of the solvent wind down in the event the approval is not successful, the Board consider that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments as required under IFRSs.

(d) Functional and presentation currency

The directors are of the opinion that the functional currency of the Bank is the US Dollar (US$), being the currency in which the majority of the assets, liabilities and revenues are denominated. Therefore, these financial statements are expressed in US$ and all financial information is presented in US$, rounded to the nearest thousand.

(e) Changes in prior year figures

(i) The Bank has restated its statement of financial position for the year ended 31 December 2021. Intangible additions have increased by US$363k to reflect costs incurred in relation to the implementation of trade finance software. These costs were recorded in other assets but were subsequently considered to be material and should have been recorded in intangible assets.

The Bank has not restated its balance sheet for the year ended 31 December 2020 as the additions in relations to the implementation of trade finance software during the year ended 31 December 2020 were immaterial.

(ii) The Bank has restated its statement of cashflows for the year ended 31 December 2021. Changes in other assets has decreased by US$363K and acquisition of tangible and intangible assets has increased by US$363k to reflect the movement of costs from other assets to intangible assets in relation to the implementation of trade finance software.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(f) Use of estimates and judgement

The Bank makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Expected Credit Loss provisioning

The Bank uses IFRS 9 Financial Instruments ('IFRS 9') guidance on the 'classification and measurement' of financial instruments, including the expected loss model for calculating 'impairment' on financial assets.

The key components of IFRS 9 which are applicable to the Bank and its financial instruments are: 'classification and measurement' and 'impairment'.

The Bank's interpretation of these requirements is detailed below in addition to how they have been implemented and continue to be monitored.

Classification and measurement

Classification of financial assets depends on how they are managed and their contractual cash flow characteristics. IFRS 9 requires that financial assets are categorised in to two broad business models: 'hold to collect' and 'hold to collect and sell'. The objective of the 'hold to collect' ('HTC') business model is to hold financial assets and collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows. However, there is no requirement that financial assets are always held until their maturity. Financial assets that meet a 'Solely Payments of Principal and Interest' ('SPPI') test and are held in a HTC business model will be classified at amortised cost. Under the 'hold to collect and sell' business model, the objective is to both collect the contractual cash flows and sell the financial asset. In contrast to the 'hold to collect' business model, sales are integral rather than incidental, and consequently this business model typically involves a greater frequency and volume of sales.

Only financial assets that meet the SPPI test and are held in a 'hold to collect and sell' business model can be classified at fair value through other comprehensive income ('FVOCI').

Financial assets designated in the 'hold to collect and sell' model are initially recorded at cost and subsequently remeasured at fair value with changes recognised in other comprehensive income ('OCI') until the assets are sold. Upon disposal the cumulative gains or losses in OCI will be recognised in the income statement. At the year end, the Bank only had debt securities in this classification as detailed in note 17.

Financial assets designated in the 'hold to collect' are subsequently measured at amortised cost.

Impairment

Under IFRS 9 loan loss provisions are calculated on an expected credit loss ('ECL') basis. The ECL model incorporates a forward-looking view so when a financial asset is initially recognised, an impairment loss allowance is calculated for the expected losses from defaults over the following 12 months. If the Bank then determines that there has been a significant increase in the credit risk of an asset, this impairment loss is increased to cover the expected losses over the whole life of the asset. In addition to impairment losses being required against financial assets, ECLs are also required against the value of certain off-balance sheet commitments where contracts have been entered in to on behalf of customers, but an asset has yet to be recognised on the Statement of Financial Position.

The Bank considers that one or more of the following factors contributes to a significant increase in credit risk:

- Financial difficulty
- A breach of contract, such as a default or past due event
- Concessions granted
- Bankruptcy or another financial reorganisation
- Disappearance of active market
- Based in a market with significant increase in macroeconomic issues
- A fall in credit rating, whether externally or internally assessed

NOTES TO THE FINANCIAL STATEMENTS **(continued)**

f) Use of estimates and judgement (continued)

Impairment (continued)

The computation of credit losses under IFRS 9 involves estimation of probabilities of default ('PD'), loss given default ('LGD'), a range of unbiased future economic scenarios, estimation of exposure at default and assessing where there have been instances of increases in credit risk.

The Bank currently estimates the 12-month and lifetime PD, LGD and exposure at default ('EAD') for each loan to estimate the ECL for its portfolio. This modelling approach forecasts PDs for the remaining contractual maturity by taking into consideration how borrower-specific and macroeconomic conditions influence their estimation. Estimates are also generated for LGDs and EADs based on the nature of the collateral held and the credit exposures as well as

incorporating credit risk mitigation activities that the Bank undertakes in its management of credit risk. The Bank has performed an assessment of the key drivers of risk in its credit exposures and is modelling multiple-economic scenarios for these.

The Bank sources external data projections to use as inputs into these computations. Most significantly, these include global and emerging markets GDP forecasts and UK Consumer Price Index forecasts (only used in calculating the ECL for mortgages, the Bank's portfolio of which is wholly UK based).

The Bank uses IMF projections for GDP as the Bank expects that the IMF's global remit and expertise meant that their emerging market, and in particular, African, projections should hold more weight than agencies that might focus more on the developed world.

To ensure an unbiased calculation, the Bank considers a range of forward-looking economic scenarios when calculating the ECL:

Base – as per the calculation, based on externally sourced data inputs as described above

Better – all PDs within the base case divided by a factor of 1.5

Worse – all PDs within the base case multiplied by a factor of 1.5

A percentage is applied to each case in order to generate an unbiased ECL.

During 2022, the Bank kept constant the weightings applied to each case:

	2022	2021
Better	20%	20%
Base	50%	50%
Worse	30%	30%

The Bank has used the general approach that categorises each loan into a '3 Stage' impairment model. For credit exposures where there have not been significant increases in credit risk since initial recognition, a 12-month ECL is provided for (Stage 1). For credit exposures where there have been significant increases in credit risk, lifetime ECLs are provided for (Stages 2 and 3). The Bank assesses significant increases in credit risk using both relative quantitative and qualitative measures that are commensurate with the nature of the credit exposures at their inception and on an on-going basis.

Assets designated in the HTC model that have had no observed significant increase in credit risk will be placed into Stage 1 ('performing') and provisions measured according to the outputs of the model.

As an appropriate backstop measure, under-performing assets which have had no objective evidence of significant increases in credit risk that are 30 days past due will be moved to Stage 2 ('under-performing'). Once exposures become 90 days past due, this backstop will be used in conjunction with other qualitative criteria to determine that they are non-performing and placed into Stage 3 ('non-performing'). This objective evidence of impairment will result in a provision of EAD multiplied by LGD as the lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS (continued)

f) Use of estimates and judgement (continued)

Impairment (continued)

In some circumstances, as part of the Bank's recovery process for non-performing assets, the Bank will agree to exercise "forbearance", agreeing to accept later payment of principal and interest ("re-scheduling"), or to fully restructure a loan obligation. In these circumstances, particularly where repayments are heavily postponed or "back ended", loans that were under-performing (IFRS 9 Stage 2) or non-performing (IFRS 9 Stage3) might be considered, following re-structure, to be performing again.

It is the policy of UBUK, in accordance with the principles of IFRS 9 that where forbearance is exercised, there should be at least a 12 month "cure period" before any impairment allowance, generated by the previous default or arrears, is removed. During this period the customer needs to demonstrate that all new repayments are being met in full.

Loans and Advances are written off after they are classified as 'lost', that is, the asset is irrecoverable, or it is no longer considered economically viable to try and recover it or it is deemed immaterial, or full and final settlement is reached, including loan collateral that has been realised, and a shortfall remains. In the event of write off, the loan balance is removed from the statement of financial position and the impairment allowance held against this loan is released.

	Performing	**Under-performing**	**Non-Performing**	**Total**
	US$'000 (Stage 1)	**US$'000** (Stage 2)	**US$'000** (Stage 3)	**US$'000**
Opening loss allowance at 1 January 2022 (under IFRS 9)	**109**	**20**	**-**	**129**
Financial assets transferred:				
From Stage 1 to Stage 2	-	-	-	-
From Stage 2 to Stage 3	-	-	-	-
From Stage 1 to Stage 3	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
Loans repaid/written off	(70)	(18)	-	(88)
Decrease in ECL losses	(33)	-	-	(33)
New financial assets originated	257	8	-	265
Closing loss allowance at 31 December 2022	**263**	**10**	**-**	**273**
Comprised of:				
Loans and cash deposits with banks	151	4	-	**155**
Loans and advances to customers	3	2		**5**
Financial assets measured at FVOCI	-	-	-	**-**
Trade related contingencies	109	4	-	**113**
Total by stage and asset class	**263**	**10**	**-**	**273**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(f) Use of estimates and judgement (continued)

At 31 December 2022, impairment allowance totalled US$0.273m (2021: US$0.129m). The net impairment movement (i.e. after recoveries) for loans and advances to customers recognised in 2021 was US$(0.072m) (2021: US$0.472m).

The gross carrying amount of financial instruments, and thus the maximum exposure to loss is as follows:

	Financial Assets 2022 US$'000	Financial Assets 2021 US$'000
Performing	86,141	157,858
Under-performing	6,687	8,348
Non-performing	-	-
Total gross financial assets	92,828	166,206
Less: Loan loss allowance	(160)	(114)
Less: Off balance sheet allowance	(113)	(15)
Financial assets net of ECL	92,555	166,077

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Summary of significant accounting policies

(a) Interest income and expense

Interest income on financial assets that are classified at amortised cost or fair value through other comprehensive income and interest expense on financial liabilities are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the gross balance on stage 1 and stage 2 assets.

The calculation of the effective interest rate includes all fees, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest on impaired financial assets is calculated by applying the original effective interest rate of the financial asset to the carrying amount as reduced by any allowance for impairment.

Interest income and expense presented in the profit and loss include interest on financial assets and liabilities held at amortised cost on an effective interest rate basis.

(b) Fees and commission

Fees and commission are accounted for depending on the services to which the income relates as follows:

- Letters of credit fees consist of commissions in relation to letters of credit transactions and associated commitment and cross border fess. These fees are accounted for at the time of the transaction.
- Fund transfer fees are in relation to payment charges to customers. These fees are accounted for at the time of the transaction.
- Customer account charges consists of debit card fees and customer services charges which are accounted for when the fees are taken from the customer. Also, mortgage and structured finance fees which are spread and accounted for over the period of the loan.
- Other fees is in relation to an externally held rent deposit which is accounted for on the receipt of an external statement from the deposit holder.

(c) Foreign currency

A foreign currency transaction is recorded in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate and resulting gains and losses on translation are included in the profit or loss.

Exchange gains on foreign exchange transactions with customers are recorded as income during the period.

(d) Financial instruments

Recognition

The Bank recognises financial assets and financial liabilities in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The classification policy below relates to financial assets recorded in 2021 and 2022 are compliant with IFRS 9 and outlined in accordance with the policies in note 2.

Management classifies financial assets and liabilities into the following categories at the time of initial recognition:

- ‘amortised cost’
- ‘fair value through profit or loss’
- ‘fair value through other comprehensive income’

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Summary of significant accounting policies (continued)

Initial measurement
When a financial asset or financial liability is recognised initially, the Bank measures it at its fair value plus (in the case of a financial asset or financial liability not at fair value through the profit or loss) transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement
Financial assets initially classified at amortised cost are subsequently measured at amortised cost. Financial assets classified as 'hold to collect and sell' are subsequently measured at fair value through other comprehensive income. Financial liabilities are subsequently measured at amortised cost.

Measurement bases
(i) Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, less principal repayments to date, plus or minus the cumulative amortisation using the effective interest rate method, of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment.

(ii) Fair value measurement
The determination of fair values of financial assets and financial liabilities quoted in an active market is based on observed bid and offer prices for assets and liabilities respectively. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include comparison to similar instruments for which market observable prices exist, discounting future cash flows, option pricing and other valuation models and methods widely used by market participants. As the Bank does not presently use more complex financial instruments, all the inputs to these valuation models and techniques are market-observable.

(e) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise of financial assets which are classified on initial recognition as being held to collect for contractual inflows and for sale. Gains and losses arising from changes in fair value are recognised as they occur in other comprehensive income.

(f) Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through the profit and loss comprise of derivatives recognised at fair value with transaction costs recognised in profit or loss. Gains and losses arising from changes in fair value are recognised as they occur in profit or loss.

(g) Equity and other financial liabilities

The Bank classifies financial instruments that it issues as an equity instrument or financial liability in accordance with the substance of the contractual terms of the instrument. An instrument is classified as equity if it evidences a residual interest in the assets of the Bank after deduction of liabilities. An instrument is classified as a liability if it represents a contractual obligation to deliver cash, or another financial asset or to exchange financial assets or financial liabilities on potentially unfavourable terms.

Other financial liabilities, not classified as fair value through profit and loss, are initially recognised at fair value, including directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

Deposits and customer accounts are classified as liabilities. Customer accounts with no activity for two years are moved to dormant account status and are then held within other liabilities.
Letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to recognise the exposure of these obligations in the event of the Customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts. However, the bank assesses letter of credit according to IFRS9 principles and makes provisions accordingly.

NOTES TO THE FINANCIAL STATEMENTS **(continued)**

3. Summary of significant accounting policies (continued)

(h) Impairment of financial assets

The Bank assesses impairment of financial assets on a forward-looking basis; the expected credit losses (‘ECL’) associated with its financial assets carried at amortised cost, FVOCI and other off-balance sheet commitments are recognised in profit or loss as they occur.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar credit risk characteristics, taking into account asset type, industry, geographic location, collateral type, past-due status, historical loss experience and other relevant factors.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(i) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	-	Remaining life of lease
Office equipment and furniture	-	5 years
Computer hardware	-	3 years
Motor vehicles	-	4 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(j) Intangible assets - software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. All costs have been capitalised in accordance with IAS 38.

Amortisation is recognised in profit or loss (within ‘Depreciation and amortisation’) on a straight-line basis over the estimated useful life of the software, which is assessed annually, from the date that it is available for use. The estimated useful life of software is three to five years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Summary of significant accounting policies (continued)

(k) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, excluding any deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Leases

The Bank recognises interest on its lease liabilities and amortisation on its right-of-use assets.

The Bank has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

Payments made under operating leases out of scope from IFRS 16 are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

The lease liability has been measured at the present value of the remaining lease payments discounted at 4.46% which represents an estimate of the Bank's rate of borrowing, independently and under comparable conditions. The right-of-use asset is equal to the lease liability less any prepaid lease payments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Summary of significant accounting policies (continued)

(m) Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss except to the extent where underlying items are recognised directly through other comprehensive income or equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Bank intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the reporting date.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are deemed to comprise cash in hand, cash at other banks repayable on demand and treasury bills maturing within three months of the transaction date.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(o) Pension costs

The Bank operates a defined contribution pension scheme and the amount charged to profit or loss in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as accruals or prepayments in the statement of financial position.

4. Segmental reporting

Segmental analysis of income has not been prepared as, in the opinion of the directors, all of the Bank's income derives from one main activity, commercial and retail banking, which is carried out in the United Kingdom.

5. Interest income

	2022 **US$'000**	2021 US$'000
Interest income on securities measured at FVOCI	244	26
Interest income on loans and advances	3,031	3,087
	3,275	3,113

6. Interest expense

	2022 **US$'000**	2021 US$'000
Interest expense on deposits from banks	(133)	(14)
Interest expense on customer accounts	(197)	(326)
Interest expense on lease liability	(102)	(132)
	(432)	(472)

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Fees and commission income

	2022 US$'000	2021 US$'000
Letters of credit	728	730
Funds transfer	147	143
Customer account charges	127	308
Others	1	21
	1,003	1,202

Timing of Revenue recognition-2022

	Letters of credit	Funds transfer	Customer Account	Others	Total
Recognised at point in time	695	147	87	1	930
Recognised over time	33	-	40	-	73
Total	**728**	**147**	**127**	**1**	**1,003**

Timing of Revenue recognition-2021

	Letters of credit	Funds transfer	Customer Account	Others	Total
Recognised at point in time	702	143	143	7	995
Recognised over time	28	-	165	14	207
Total	**730**	**143**	**308**	**21**	**1,202**

8. Dealing and exchange gain

Dealing and exchange gains relates to foreign exchange income derived from customer facilitation, including transactions on behalf of the UBN, the revaluation of assets and liabilities denominated in currencies other than the US Dollar and the gain / (loss) from the sale of securities.

	2022 US$'000	2021 US$'000
Foreign exchange gain	148	106
	148	**106**

9. Other operating expense

	2022 US$'000	2021 US$'000
Other operating charges and brokerage	(151)	(335)
	(151)	**(335)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Administrative expenses

	2022 US$'000	2021 US$'000
Wages and salaries, including directors	(3,876)	(4,863)
Social security costs	(484)	(513)
Pension costs	(397)	(550)
Other staff costs	(664)	(501)
Total staff costs	**(5,421)**	**(6,427)**
Other recurring administrative expenses	(3,075)	(3,069)
	(8,496)	**(9,496)**

Other administrative expenses are incurred in the ordinary course of the Bank's business and do not include any non-recurring items.

Average number of employees, including executive directors:	2022 No.	2021 No.
Banking	14	18
Operations	19	21
Administration	3	3
	36	**42**

11. Pension costs

The Bank makes contributions to the personal pension funds of employees under Group Personal Pension arrangements. During the year to 31 December 2022, the Bank made contributions totalling US$ 396,521 (2021: US$ 550,357).

Contributions accrued at the reporting date amounted to US$nil (2021: US$nil). There were no outstanding pre-paid contributions at the reporting date.

12. Directors' emoluments

	2022 US$'000	2021 US$'000
Executive director emoluments	(303)	(249)
Non-executive directors' fees	(119)	(314)
	(422)	(563)

The emoluments of the highest paid director, excluding pension contributions, were US$303,218 (2021: US$248,851). Pension contributions were made to one director during the year amounting to US$24,149 (2021: US$25,999). US$nil of benefits in kind were paid during the year (2021: US$nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Loss before tax

	2022 US$'000	2021 US$'000
Loss is stated after charging:		
Amounts payable to the Auditor and its associates pursuant to legislation in respect of:		
- Statutory Audit of the financial statements	(265)	(236)
Other services relating to taxation which are not provided by auditors (BDO)	(11)	(12)
Other low value operating lease and similar rentals	(7)	(7)

14. Taxation

Tax on loss on activities in the statement of comprehensive income:

(a) Analysis of tax charge on activities

	2022 US$'000	2021 US$'000
Current tax:		
United Kingdom corporation tax based on the loss for the year	-	-
Adjustment in respect of prior year	-	-
Prior year restatement	-	-
Exchange differences re opening and closing rates	-	1
Total current tax	**-**	**1**
Deferred tax:		
Timing differences, origination and reversal	-	-
Prior year deferred tax adjustment	-	-
Change in tax rate	-	-
Total deferred tax	**-**	**-**
Tax charge on loss	**-**	**1**

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Taxation (continued)

(b) Reconciliation of the total tax charge

	2022 US$'000	2021 US$'000
Profit / (Loss) on activities before tax	(5,382)	(5,966)
Tax at 19%	1,023	1,133
Effects of:		
Expenses not deductible for tax purposes	(8)	0
Current tax-Exchange differences re opening and closing rates	(1)	1
Adjustments in respect of prior year	-	-
Adjustments in respect of deferred tax prior year	-	-
Income not taxable for tax purpose	-	-
Adjustments on IFRS balance sheet	-	-
Adjustments to brought forward values	-	-
Deferred tax recognised directly to equity	-	-
Deferred tax not recognised	(1,014)	(1,133)
Difference in tax rates	-	-
Temporary differences not recognised in the computation	-	-
Tax credit	**-**	**1**

Tax recoverable of $252,750 has been received in 2022. This rebate relates to the overpayment of tax for the year ended 31 December 2018.

(c) Analysis of deferred tax assets

The following is an analysis of the deferred tax assets recognised by the Bank:

	2022 US$'000	2021 US$'000
Brought forward	-	-
Movements in respect of prior year	-	-
Deferred tax recognised directly to equity	-	-
Short term timing differences	-	-
	-	-

A deferred tax asset of US$9,544,838 (2021: US$8,210,299) against losses and temporary differences of US$38,179,351 (2021: US$32,841,195) has not been recognised.

(d) Factors that may affect future tax charges

The UK corporation tax rate is 19% for the current financial year. The UK corporation tax rate will increase to 25% for profits of over £250,000 from 1 April 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Financial assets and liabilities

The table below sets out the Bank's classification of each class of financial asset and liability as at 31st December 2022 and 31st December 2021:

2022

US$'000	Note	Measured at FVOCI	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Cash at bank and in hand	16	-	5,431	-	**5,431**
Financial assets measured at FVOCI	17	18,123	-	-	**18,123**
Loans and advances to banks	18	-	65,437	-	**65,437**
Loans and advances to customers	19	-	3,564	-	**3,564**
Other assets	23	-	850		**850**
Deposits by banks	24	-	-	19,943	**19,943**
Customer accounts	25	-	-	38,278	**38,278**
Other liabilities	26/33	-	-	2,718	**2,718**

2021

US$'000	Note	Measured at FVOCI	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Cash at bank and in hand	16	-	8,999	-	**8,999**
Financial assets measured at FVOCI	17	30,284	-	-	**30,284**
Loans and advances to banks	18	-	110,627	-	**110,627**
Loans and advances to customers	19	-	16,168	-	**16,168**
Other assets	23	-	838		**838**
Deposits by banks	24	-	-	69,104	**69,104**
Customer accounts	25	-	-	57,304	**57,304**
Other liabilities	26/33	-	-	3,368	**3,368**

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Cash at bank and in hand

	2022 US$'000	2021 US$'000
Cash	-	-
Short term placements with other banks	5,432	9,000
Gross amount	5,432	9,000
Impairment under IFRS 9	(1)	(1)
Net amount	**5,431**	**8,999**

Cash is classified as a level 1 instrument.

17. Financial assets measured at fair value

	2022 US$'000	2021 US$'000
Treasury bills	18,125	2,400
Multilateral development bank bonds	-	27,884
Gross amount	**18,125**	**30,284**
Impairment under IFRS 9	**(2)**	-
Net amount	**18,123**	**30,284**
Maturity		
- 3 months or less	-	7,602
- 1 year or less but over 3 months	18,123	22,682
- 5 years or less but over 1 year	-	-
- Over 5 years	-	-
	18,123	**30,284**

The Bank measures fair values using the fair value hierarchy that reflects the significance of inputs used in making the measurements. The financial assets of the Bank fall within the category of Level 1 where valuation is based upon quoted prices in an active market for the same or identical instrument. Unrealised Profit of US$2,966 (2021: Unrealised loss of US$3,212) have been recognised in other comprehensive income. Financial assets measured at fair value through OCI purchased and sold amounted to US$40,469,036 (2021: US$ 45,472,861) and US$52,877,491 (2021: US$41,564,664) respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Loans and advances to banks

The following table shows total bank loans

	2022 US$'000			2021 US$'000		
	Gross amount	**Impairment Allowance**	**Net amount**	**Gross amount**	**Impairment Allowance**	**Net amount**
Bank loans	65,704	(267)	65,437	110,741	(114)	110,627
	65,704	**(267)**	**65,437**	**110,741**	**(114)**	**110,627**

The fair value of the cash collateral held in respect of the loans and advances to banks at 31 December 2022 is US$6,110,447 (2021: US$6,615,648). This collateral can be used in the event of default by the borrower.

The following table shows the remaining maturity of the loans and advances to banks:

	2022 US$'000			2021 US$'000		
	Gross Amount Performing	**Impairment Allowance**	**Net Amount**	**Gross Amount**	**Impairment Allowance**	**Net amount**
Repayable on demand or at short notice	1	-	1	1	-	1
Remaining maturity:						
- 3 months or less excluding above	47,966	(140)	47,826	94,789	(41)	94,748
- 1 year or less but over 3 months	17,737	(127)	17,610	7,034	(46)	6,988
- 5 years or less but over 1 year	-	-	-	8,917	(27)	8,890
	65,704	**(267)**	**65,437**	**110,741**	**(114)**	**110,627**

Amounts repayable on demand or at short notice include monies pledged to banks in respect of trade finance transactions of US$970 (2021: US$ 970).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Loans and advances to customers

	2022 US$'000			2021 US$'000		
	Gross amount	Impairment allowance	Net amount	Gross amount	Impairment allowance	Net amount
Commercial loans & advances	2,934	(2)	2,932	14,597	(6)	14,591
Personal loans & advances	52	-	52	116	-	116
Syndicated loans	582	(2)	580	1,468	(7)	1,461
	3,568	**(4)**	**3,564**	**16,181**	**(13)**	**16,168**

The fair value of the collateral held in respect of the loans and advances to customers is US$11,258,355 as at 31 December 2022 (2021: US$35,918,558). This collateral can be used in the event of default by the borrower. Out of the total collateral, US$nil is for impaired loans and advances to customers (2021: US$nil) and US$1,737,516 (2021: US$5,278,721) is for loans and advances to customers that are past due, but not impaired.

The following table shows the remaining maturity of the loans and advances to customers:

	2022 US$'000			2021 US$'000		
	Gross Amount	Impairment allowance	Net amount	Gross Amount	Impairment allowance	Net amount
Repayable on demand or at short notice	8	-	8	6	-	6
Remaining maturity:						
- 3 months or less excluding above	2	-	2	5,343	(2)	5,341
- 1 year or less but over 3 months	19	-	19	3,190	(1)	3,189
- 5 years or less but over 1 year	929	(1)	928	4,613	(8)	4,605
- Over 5 years	2,610	(3)	2,607	3,029	(2)	3,027
	3,568	**(4)**	**3,564**	**16,181**	**(13)**	**16,168**

Of the US$4,058 impairment provision (2021: US$13,538), US$4,058 represents the Stage 1 and stage 2 provisions under IFRS 9. (2021: US$13,538).

20. Net impairment loss for loans and advances to customers & banks

	2022 US$'000	2021 US$'000
At beginning of the year	(129)	(601)
(Charge)/ Reversal to statement of comprehensive income	(144)	472
Amounts written off against historic provisions	-	-
At the end of the year	**(273)**	**(129)**
Loans and advances to banks and cash in hand	(155)	(104)
Loans and advances to customers	(4)	(14)
Investment securities	-	-
Trade finance contingencies (to banks)	(114)	(11)
	(273)	**(129)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Net impairment loss for loans and advances to customers & banks (continued)

During the year, the Bank has written off loans and advances to customers amounting to US$nil. (2021: US$nil).

The carrying amount of the loans and advances to customers in default at the end of the reporting period is US$nil (2021: US$nil).

21. Property and equipment

2022

US$'000	**Leasehold Improvements**	**Office Equipment and Furniture & Computer Hardware**	**Total**
Cost:			
At beginning of the year	278	628	906
Additions	-	12	12
Disposals		(129)	(129)
At end of the year	**278**	**511**	**789**
Depreciation:			
At beginning of the year	(220)	(596)	(816)
Charge for the year	(42)	(16)	(58)
Disposals	-	129	129
At end of the year	**(262)**	**(483)**	**(745)**
Net book value at 31 December	**16**	**28**	**44**

2021

US$'000	**Leasehold Improvements**	**Office Equipment and Furniture & Computer Hardware**	**Total**
Cost:			
At beginning of the year	278	652	930
Additions	-	3	3
Disposals		(27)	(27)
At end of the year	278	628	906
Depreciation:			
At beginning of the year	(178)	(584)	(762)
Charge for the year	(42)	(39)	(81)
Disposals	-	27	27
At end of the year	**(220)**	**(596)**	**(816)**
Net book value at 31 December	**58**	**32**	**90**

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Intangible assets

	2022 Software US$'000	2021 Software US$'000 (restated)
Cost:		
At beginning of the year	3,830	3,470
Additions	26	386
Disposals	(70)	(26)
At end of the year	**3,786**	**3,830**
Amortisation:		
At beginning of the year	(3,222)	(3,095)
Disposals	70	23
Reclassified	-	-
Charge for the year	(127)	(150)
At end of the year	**(3,279)**	**(3,222)**
Net book value at 31 December	**507**	**608**

Additions for the year ended 31 December 2021 have been restated. Details of the restatement are disclosed in note 2 (e) (i) of the financial statements.

23. Other Assets

	2022 US$'000	2021 US$'000 (restated)
Receivable within twelve months:		
Fees and Commissions	57	46
Other receivables	325	269
Receivable greater than twelve months:		
Rent and other security deposits	468	523
	850	**838**

Other receivables for the year ended 31 December 2021 have been restated. Details of the restatement are disclosed in note 2 (e) (i) of the financial statements.
Other receivables for 2022 includes a Mastercard security of 104K and input VAT of 219K

24. Deposits by banks

	2022 US$'000	2021 US$'000
Repayable on demand	14,361	63,820
Remaining maturity:		
- 3 months or less excluding above	5,582	5,284
- 1 year or less but over 3 months	-	-
	19,943	**69,104**

Deposits by banks include amounts totalling US$17,283,000 (2021: US$60,783,000) charged to the Bank to secure actual and contingent liabilities in respect of letters of credit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Customer accounts

	2022 US$'000	2021 US$'000
Repayable on demand	23,547	30,845
Remaining maturity:		
- 3 months or less excluding above	4,368	4,266
- 1 year or less but over 3 months	10,014	21,666
- 5 years or less but over 1 year	349	527
	38,278	**57,304**

26. Other liabilities

	2022 US$'000	2021 US$'000
Payable within twelve months:		
Taxation and social security	124	149
Accounts payable	529	491
	653	**640**

27. Accruals and deferred income

	2022 US$'000	2021 US$'000
Accruals	141	130
Deferred income	34	91
	175	**221**

28. Called up share capital

	2022 US$'000	2021 US$'000
Authorised, Allotted, called up and fully paid		
50,000 deferred shares of £1 each	90	90
60,000,000 ordinary shares of US$1 each	60,000	60,000
	60,090	**60,090**

The ordinary shares comprise a single class and each have the same voting rights as well as rights to dividends and distributions. The deferred shares carry no entitlement to vote or receive distributions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Related party transactions

During the year, the Bank undertook transactions with Union Bank of Nigeria Plc and its subsidiaries (the UBN Group) in the normal course of business. These include loans and deposits and foreign currency transactions and the associated interest income and expenses. Loans and advances to banks are cash secured to a maximum of US$5.4m (2021: US$7.5m). Balances and related income and expense included in these financial statements in respect of the transactions with UBN Group are as follows:

	2022	2021
Holding company	US$'000	US$'000
Assets		
Cash at bank and in hand	-	-
Loans and advances to banks	-	6,721
Liabilities		
Deposits by banks	15,765	68,045
Income – interest		
From holding company	216	570
Expense - interest		
To holding company	6	(3)

Following the sale of Union Bank of Nigeria on the 17th May 2022 a $5.4M 90 day notice deposit account continues to be held by the bank as at 31 December 2022 in addition to cash collateral of $9.08M and current accounts totalling $1.28M

At 31 December 2022 no loans were made (2021: none) to executive directors of the Bank, on terms generally available to staff, remained outstanding to the amount of US$nil against which an ECL provision of US$nil was made. (2021: US$nil, ECL provision US$nil). This balance is included within note 19. More information regarding key management compensation is included within note 12. Also outstanding were loans totalling US$348,785, against which an ECL provision of $885 was made, (2021: US$438,030, ECL provision US$395) to the relative of a previous member of the Board. These loans consisted of a buy to let mortgage of US$345,677 and an overdraft facility of US$3,108. These were granted at commercial terms and at market rates.

No transactions have been undertaken with the new shareholders of the Bank.

30. Financial risk management

(a) Risk management

The Bank holds and issues financial instruments for the purposes of:

- earning interest margins, fees and commission;
- financing its operations; and
- managing the interest rate and currency risks inherent in its operations.

The Bank does not actively trade in financial instruments and, therefore, does not have a trading book. Its operations are financed from a mixture of equity and deposits. Deposits are raised primarily in US Dollars and to a lesser extent Sterling and euros at both fixed and variable rates and lending is similarly distributed. Longer term lending is partly financed by capital but is otherwise generally matched to deposits both in terms of maturity and re-pricing.

The Bank's functional currency is the US Dollar. It does not actively speculate in foreign currencies and the majority of its foreign exchange transactions are carried out in the spot market for customer facilitation purposes. The main risks arising from the Bank's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Management has developed policies for managing each of these risks, which are reviewed and approved by the Board on an annual basis. Significant features of these policies are summarised below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that a customer or counterparty is unable or unwilling to meet a commitment that it has entered into with the Bank and arises mainly from lending and trade finance activities. To mitigate this risk, the Bank has adopted policies that minimise significant unsecured credit exposures other than to financial institutions and to avoid concentrations of unsecured credit risk to counterparty groups, industry sectors and countries, which do not carry investment grade credit ratings. All credit exposures are subject to continuous assessment by the Assets & Liabilities Committee and the Risk & Board Risk Committee. It is the policy of the Bank to make adequate impairment allowances where real or probable problems in asset recovery are identified and to make adequate collective impairment allowances for those as yet unidentified credit problems that are inherent in any portfolio of banking assets. Details of impairment allowances are summarised in notes 16 to 20.

(i) Credit exposure by sector

	2022	2021
	US$'000	US$'000
Banks	70,868	127,228
Government	18,123	22,682
Corporate	581	12,365
Individuals	2,983	3,802
	92,555	**166,077**

(ii) Credit exposure by location

	2022	2021
	US$'000	US$'000
Europe	48,788	107,290
Africa	28,031	31,198
United States	15,736	27,589
	92,555	**166,077**

The above sector and geographical analyses only include cash at bank and in hand, loans and advances to banks and to customers at amortised cost, financial assets valued at fair value through other comprehensive income and financial assets - derivatives. The Bank has established procedures to manage country risk. During the year there continued to be periods of significant volatility in the emerging bond markets which are closely monitored and valued daily. The Bank also carries out country credit reviews of emerging markets and thereby assesses any potential creditworthiness issues.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Financial risk management (continued)
b (continued)

(iii) Credit exposure by Credit Quality Step

The Bank extends credit facilities to quality rated and unrated counterparties. An analysis of the credit quality of the maximum credit exposure based on ratings provided by Fitch rating agency and where applicable grouped by Credit Quality Steps (CQS) as follows:

		2022	2021
CQS	**Assets**	**US$'000s**	**US$'000s**
	Cash and Cash Equivalent		
1	Rated AAA to AA-	-	10
2	Rated to A+ to A-	4,073	4,849
3	Rated BBB+ to BBB	115	-
4	Rated BB+ to BB-	1,104	705
5	Rated B+ to B-	94	105
6	Unrated	45	3,330
		5,431	**8,999**
	Loans and Advances to Banks		
1	Rated AAA to AA-	-	-
2	Rated A+ to A-	38,104	46,034
3	Rated BBB+ to BBB-	-	-
4	Rated BB+ to BB-	-	34,999
5	Rated B+ to B-	26,649	29,593
6	Unrated	684	1
		65,437	**110,627**
	Loans and Advances to Customers		
	Unrated neither past due nor impaired	3,564	16,168
	Unrated past due but not impaired	-	-
		3,564	**16,168**
	Financial Assets		
1	Related AAA to AA-	18,123	30,284
5	Related B+ to B-	-	-
		18,123	**30,284**

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Financial risk management (continued)

b (continued)

As at 31 December 2022, the Bank's maximum exposure to credit is US$105m (2021: US$183m), of which US$ nil (2021: US$nil) as deemed to be impaired or doubtful. These amounts include all financial assets and undrawn irrevocable loan and trade commitments. The Bank held collateral totalling US$25m (2021: US$69m) against credit exposures of US$93m (2021: US$166m) of which US$11.0m (2021: US$23.1m) was in the form of cash. The remaining collateral was primarily in the form of government guarantees, immovable property and charges over companies' assets. Total trade related exposure included above was US$39.8m (2021: US$46.2m) against which the Bank held cash collateral of US$11.02m (2021: US$23.1m) included above.

Loans are considered forborne when terms and conditions of a loan are modified due a borrower being unable to meet current terms and conditions due to factors indicating financial difficulty. Examples may include reducing interest rates, delaying payment of principal and amending or not enforcing covenants.

Lending subject to forbearance, net of credit risk mitigation, as at 31 December 2022 is US$nil (2021: US$nil).

(c) Liquidity risk

Liquidity risk is the risk that the Bank is not able to meet its commitments to customers and counterparties as they fall due as a result of mismatch in cash flows arising from liabilities and assets. To mitigate this risk, the liquidity structure of assets, liabilities and commitments is managed so that resultant cash flows are appropriately balanced, within approved limits and mismatch parameters set by the PRA, to ensure that all obligations can be met when due. Generally, it is the policy of the Bank to match the currency and maturity of all liabilities and assets as far as practicable and to maintain a store of liquidity in the form of readily realisable debt securities, including government treasury bills.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities. All amounts within deposits by banks and customer accounts include both principal and future interest payments:

2022

US$'000	Time band					Total
	Less than 3 Months	3 – 6 months	6 – 12 months	1 – 5 years	Over 5 years	
Liabilities						
Deposits by banks	20,007	-	-	-	-	20,007
Customer accounts	27,922	7,786	2,309	365	-	38,382
Other liabilities	653	-	154	1,788	123	2,718
Total liabilities	**48,582**	**7,786**	**2,463**	**2,153**	**123**	**61,107**

2021

US$'000	Time band					Total
	Less than 3 Months	3 – 6 months	6 – 12 months	1 – 5 years	Over 5 years	
Liabilities						
Deposits by banks	69,105	-	-	-	-	69,105
Customer accounts	35,116	18,367	3,379	553	-	57,415
Other liabilities	640	-	418	1,640	670	3,368
Total liabilities	**104,861**	**18,367**	**3,797**	**2,193**	**670**	**129,888**

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Financial risk management (continued)

(d) Interest rate risk

Interest rate risk is the risk of loss arising from differences in the re-pricing dates of liabilities and assets. The Bank's policy is to limit re-pricing risk by setting re-pricing gap limits and by regularly reviewing its re-pricing risk by reference to assumed adverse movements in interest rates to ensure that the risk of loss remains within acceptable limits. Therefore, the Bank's treasury and lending functions seek to price assets at floating rates or at fixed rates for fixed periods at appropriate roll-over dates that allow for matching with customer and market liabilities.

The table below summarises the Bank's assets and liabilities by re-pricing time band and demonstrates the extent to which these are matched.

(i) Interest rate gap analysis

Assets and liabilities are analysed in time bands according to the earlier of the period to the next interest rate re-pricing and maturity date as follows:

2022

US$'000	Time band						Total
	Less than 3 Months	*3 – 6 months*	*6 – 12 months*	*1 – 5 years*	*Over 5 years*	*Non-interest bearing*	
Total Financial assets	53,268	31,266	4,486	927	2,608	-	92,555
Total Financial liabilities	48,652	7,726	2,442	2,137	123	-	61,080
Interest rate sensitivity gap	4,616	23,540	2,044	(1,210)	2,485	-	31,475
Cumulative gap	**4,616**	**28,156**	**30,200**	**28,990**	**31,475**	**31,475**	

2021

US$'000	Time band						Total
	Less than 3 Months	3 – 6 months	6 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	
Total Financial assets	119,393	30,157	7	13,494	3,026	-	166,077
Total Financial liabilities	104,984	18,309	3,774	2,167	670	-	129,904
Interest rate sensitivity gap	14,409	11,848	(3,767)	11,327	2,356	-	36,173
Cumulative gap	**14,409**	**26,257**	**22,490**	**33,817**	**36,173**	**36,173**	

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Financial risk management (continued)
d (continued)

(ii) Interest rate sensitivity analysis

Interest rate sensitivity analysis has been performed on the net cash flow interest rate risk exposures as at the reporting dates. A range of possible upward/downward movements in Libor/Euribor of 100bps has been assumed for the different currencies which the directors consider reasonable given the current market conditions and the nature of matched funding within the exposures. If all other variables are held constant, the tables below present the likely impact on the Bank's statement of comprehensive income:

(iii) Risk arising from LIBOR transition

Following the cessation of LIBOR the Bank is predominantly entering into new trades at fixed interest rates with the inclusion of re-pricing clauses for longer-term deals, whilst the market settles on a new standard of variable pricing. Whilst this increases interest rate risk overall, this is only at the short end of the curve, minimising any impact.

2022

US$'000		**Currencies**			**Total**
	US Dollar	**£ Sterling**	**Euro**	**Other**	
Total Financial assets	65,201	26,527	603	224	**92,555**
Less: fixed rate assets	(42,177)	(19,538))	-	-	**(61,715)**
Total Variable rate assets	23,024	6,989	603	224	**30,840**
Total Financial liabilities	32,469	27,892	592	127	**61,080**
Less: fixed rate liabilities	(2,781)	(12,591)	-	-	**(15,372)**
Total Variable rate liabilities	29,688	15,301	592	127	**45,708**
Net cash flow interest Rate Risk exposure	**(6,664)**	**(8,312)**	**11**	**97**	**(14,868)**
Possible movement in Libor/Euribor (bps)	100	100	100	100	
Possible impact of increase in Libor/Euribor on loss before tax and equity	(67)	(83)	-	1	**(149)**
Tax charge-19%	13	16	-	-	**29**
Possible impact of increase in Libor/Euribor on loss after tax and equity	(54)	(67)	-	1	**(120)**
Possible impact of decrease in Libor/Euribor on profit before tax and equity	67	83	-	(1)	**149**
Tax charge-19%	(13)	(16)	-	-	**(29)**
Possible impact of decrease in Libor/Euribor on profit after tax and equity	54	67	-	(1)	**120**

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Financial risk management (continued)

US$'000	2021 Currencies				Total
	US Dollar	£ Sterling	Euro	Other	
Total Financial assets	124,341	38,160	3,280	296	**166,077**
Less: fixed rate assets	(86,448)	(18,843)	-	-	**(105,291)**
Total Variable rate assets	37,893	19,317	3,280	296	**60,786**
Total Financial liabilities	86,689	39,737	3,310	169	**129,905**
Less: fixed rate liabilities	(3,165)	(24,078)	-	-	**(27,243)**
Total Variable rate liabilities	83,524	15,659	3,310	169	**102,662**
Net cash flow interest Rate Risk exposure	**(45,631)**	**3,658**	**(30)**	**127**	**(41,876)**
Possible movement in Libor/Euribor (bps)	100	100	100	100	
Possible impact of increase in Libor/Euribor on loss/profit before tax and equity	(456)	37	-	1	**(418)**
Tax charge-19%	87	(7)	-	-	**80**
Possible impact of increase in Libor/Euribor on loss/profit after tax and equity	(369)	30	-	1	**(338)**
Possible impact of decrease in Libor/Euribor on profit/loss before tax and equity	456	(37)	-	(1)	**418**
Tax charge-19%	(87)	7	-	-	**(80)**
Possible impact of decrease in Libor/Euribor on profit/loss after tax and equity	369	(30)	-	(1)	**338**

(e) Currency risk

Limited foreign exchange exposure arises from the facilitation of customer orders and from profits and losses in currencies other than the functional currency. The Bank does not actively speculate in foreign currencies and does not deal in forward foreign exchange, foreign exchange options, futures or options thereon except to the limited extent necessary to hedge cash flows arising from its own and its customers' activities. Foreign exchange exposures are subject to limits as to positions in individual currencies and as to the 'overall net open position'.

Details of the Bank's assets and liabilities by currency of denomination are summarised in US Dollars in table *(i)* below so as to demonstrate the extent to which foreign currency exposures are matched.

(i) Net currency position analysis

Assets and liabilities, expressed in US$ but analysed according to the currency in which they were denominated, after taking into account the accounting policy for foreign currencies as set out in note 3(c), were as follows:

US$'000	**2022 Currencies**				**Total**
	US Dollar	**£ Sterling**	**Euro**	**Other**	
Total Financial assets	65,201	26,527	603	224	**92,555**
Total Financial liabilities	(32,469)	(27,892)	(592)	(127)	**(61,080)**
Currency position	**32,732**	**(1,365)**	**11**	**97**	**31,475**

US$'000	2021 Currencies				Total
	US Dollar	£ Sterling	Euro	Other	
Total Financial assets	124,341	38,160	3,280	296	**166,077**
Total Financial liabilities	(86,689)	(39,737)	(3,310)	(169)	**(129,905)**
Currency position	**37,652**	**(1,577)**	**(30)**	**127**	**36,172**

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Financial risk management (continued)

(ii) Foreign currency sensitivity analysis

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in the Bank's financial assets and financial liabilities at the reporting dates. The sensitivity analysis provides an indication of the impact on the Bank's statement of comprehensive income of reasonably possible changes in the currency exposures embedded within the functional currency environment in which the Bank operates. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

The Bank believes that for each foreign currency net exposure it is reasonable to assume a 5% appreciation/depreciation against the Bank's functional currency, given the control exercised over the Bank's currency positions. If all other variables are held constant, the tables below present the impacts on the Bank's statement of comprehensive income if these currency movements had occurred.

The financial statements have used a closing rate of £1 to $1.20 and during the year the average rate for £1 was $1.23.

2022

US$'000	**Currencies (FC)**		
	£ Sterling	**Euro**	**Other**
Net foreign currency exposures	(1,365)	11	96
Impact on loss and equity of 5% increase in FC:USD rate	54	-	2,163
Impact on loss and equity of 5% decrease in FC:USD rate	(54)	1	(2,163)

Nigerian Naira, at a year-end rate of 461.21/USD represents 97% of the 'Other' column resulting in the large impact shown in currency.

2021

US$'000	**Currencies (FC)**		
	£ Sterling	**Euro**	**Other**
Net foreign currency exposures	1,921	(30)	127
Impact on loss and equity of 5% increase in FC:USD rate	(68)	1	2,2226
Impact on loss and equity of 5% decrease in FC:USD rate	75	(1)	(2,226)

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Financial risk management (continued)

(f) Capital adequacy

The Bank is subject to minimum capital requirements imposed by the PRA, following guidelines developed by the Basel Committee on Banking Supervision and implemented in the UK via European Union Directives. The revised framework, known as CRDIV, includes a more risk-sensitive methodology for the calculation of capital requirements for Credit Risk as well as a capital requirement for Operational Risk.

Minimum capital requirements under the PRA's rules are calculated by summing the capital requirements for Credit Risk, Operational Risk, Market Risk and Counterparty Credit Risk. For the purposes of computing these requirements the Bank has elected to adopt the Standardised Approach to Credit Risk and the Basic Indicator Approach to Operational Risk. Market Risk is determined using the standard Position Risk Requirement ('PRR') rules and Counterparty Credit Risk ('CCR') is calculated using the CCR mark to market method. The Market Risk and Counterparty Credit Risk components of the capital requirement are small because the Bank has no trading book.

The minimum capital requirement for Credit Risk under Pillar 1 of CRDIV is calculated by multiplying risk weighted assets by 8%, the internationally agreed minimum ratio. Risk weighted assets are determined by applying risk weights, which vary according to the credit rating of the obligor, to the Bank's assets, including off statement of financial position engagements that are subject also to given credit risk conversion factors. Under Pillar 2 the Bank undertakes an assessment (the ICAAP process) of the amount of capital that is required to support its activities using the Pillar 1 plus approach. This assessment has identified a number of risks that either do not attract capital under Pillar 1 or where the Pillar 1 requirement does not fully capture the risks faced by the Bank. Additional capital is set aside under Pillar 2 for these risks, which include exposure concentrations and interest rate risk in the non-trading book. The Bank's total capital requirement is then the sum of the amounts calculated under Pillar 1 and Pillar 2. Furthermore, the Bank is subject to Individual Capital Guidance ('ICG') provided by the PRA whereby the Pillar 2 requirement is computed by applying a formula to the Pillar 1 requirement. This results in a Pillar 2 requirement that is somewhat higher than that determined through the ICAAP process.

The Bank calculates its capital adequacy on a daily basis by comparing the total capital requirement in accordance with the ICG to capital available to meet this requirement (Regulatory Capital). A capital buffer is also incorporated, which is based on a level of tolerance to unexpected losses that is considered and agreed by the Board as part of the ICAAP process. At 31 December 2022 and throughout the year, the Bank maintained Regulatory Capital in excess of the total capital requirement calculated in accordance with the ICG.

The following table is an analysis of those items which comprise the Regulatory Capital base for the purposes of reporting to the PRA.

	2022 US$'000	2021 US$'000
Statement of financial position:		
Share Capital	**60,090**	**60,090**
Profit & Loss Reserve	**(24,567)**	**(19,185)**
Securities (FVOCI reserve)	**(4)**	**(7)**
Less Intangibles	**(132)**	**(245)**
IFRS 9 transitional adjustments	**33**	**66**
Total Tier 1 Capital	**35,420**	**40,719**
Total Regulatory Capital	**35,420**	**40,719**

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. Financial risk management (continued)

(f) Capital adequacy (continued)

The Regulatory Capital shown agrees to the Regulatory Capital reported to the PRA because accumulated losses are reportable as they occur.

The directors regard share capital and reserves as its capital for the capital management purposes where the objective to ensure it is sufficient to participate in lines of business and to meet Prudential Regulatory Authority's capital requirements. In order to maintain or adjust the capital structure, the Bank may issue new shares or sell assets.

(g) Lending commitments	**2022**	**2021**
	US$'000	**US$'000**
Undrawn formal standby facilities, credit lines and other commitments to lend:	1,635	1,434
Contract amount	-	-
Credit equivalent amount	-	-
Risk weighted amount	-	-

31. Fair values of financial instruments

Fair value measurements

The information set out below provides information about how the Bank determines fair values of various financial assets and financial liabilities. The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 – fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – fair value measurements derived from unobservable inputs to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

US$'000	**2022**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at FVOCI	18,123	-	-	18,123
Financial assets - derivatives	-	-	-	-
Financial liabilities - derivatives	-	-	-	-
Total	**18,123**	**-**	**-**	**18,123**

US$'000	**2021**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at FVOCI	30,284	-	-	30,284
Financial assets - derivatives	-	-	-	-
Financial liabilities - derivatives	-	-	-	-
Total	**30,284**	**-**	**-**	**30,284**

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Fair values of financial instruments (continued)

The following table sets out the fair values of financial instruments not measured at fair value and compares them to carrying value.

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	US$'000	US$'000	US$'000	US$'000
Assets				
Cash at bank	5,431	5,431	8,999	8,999
Loans and advances to banks	65,437	65,508	110,627	110,627
Loans and advances to customers	3,564	3,579	16,168	16,242
Other assets	850	850	1,091	1,091
Liabilities				
Deposits by banks	19,943	19,943	69,104	69,104
Customer accounts	38,278	38,283	57,304	57,314
Other liabilities	2,718	2,718	3,368	3,368

The fair value of financial instruments is the estimated price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. Where quoted market prices are not available, fair value is determined using pricing models which use a mathematical methodology based on accepted financial theories, depending on the product type and its components.

Cash at bank consists of demand deposits with third party banks. Accordingly, the carrying amount of these balances is deemed an appropriate approximation of the fair value.

Both loans and advances to banks and customers noted above are level 3 financial assets. Loans and advances to banks comprise secured loans, short-term placements with banks including collateral and unsettled financial transactions. The secured loans have been valued as above and using the valuation technique described below. The carrying amount of the other items is deemed a reasonable approximation of their fair value, as the transactions are very short-term in duration. This includes intercompany balances.

The fair valuation of loans and advances to customers is an area of considerable estimation and uncertainty as there is no observable market and values are significantly affected by customer behaviour. These comprise secured loans, unsecured loans and corporate loans.

The fair values of mortgage portfolios have been estimated by comparing existing contractual interest rates over the weighted average lives with an estimation of new business interest rates based on competitor market information. Adjustments have also been made to reduce:

- the weighted average lives to reflect the uncertainty inherent in the value that could be achieved, given that the borrower could re-finance at any time;
- discount the value of performing loans with a higher loan-to-value ratio to reflect the higher risk of this part of the portfolio and the fact that this is outside the Company's normal underwriting standards; and
- discount the collateral value of non-performing loans with a higher loan-to-value ratio to reflect the significantly higher possibility of re-possession and the lower value that is achieved on repossession and to take cognisance of rates available in the market for loans in arrears but with a lower loan-to-value ratio.

Unsecured loans are overdrafts and personal loans. The weighted average lives of these portfolios are short, and the business was written relatively recently. As a result, contractual interest rates approximate new business interest rates, and therefore no mark-to-market surplus or deficit has been recorded with respect to the performing book and discounts applied to the non-performing book.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. Fair values of financial instruments (continued)

The fair values of corporate loans have been estimated by comparing existing margins with an estimation of new business rates for similar loans in terms of the borrower's segment, maturity and structure. Provisions are considered appropriate for the book that is not impaired. A discount has been applied to impaired loans as although exits have generally been achieved at carrying value, this does not reflect the discount a purchaser would require.

All financial liabilities are level 3 liabilities. The majority of deposit by banks, customer accounts and other liabilities are payable on demand and therefore can be deemed short-term in nature with the fair value equal to the carrying value. Certain of the customer accounts are at a fixed rate until maturity. The deficit/surplus of fair value over carrying value of these liabilities has been estimated by reference to the market rates available at the reporting date for similar customer accounts of similar maturities. The fair value of such customer accounts has been estimated using the valuation technique described below.

In the valuation of loans and advances and deposits, the 'present value' method is used. Expected future cash flows are discounted using the interest rate curves of the applicable currencies. The interest rates curves are generally observable market data and reference yield curves derived from quoted interest rates in appropriate time bandings, which match the timings of the cash flows and maturities of the instruments.

32. Contingent liabilities and commitments

Contingent liabilities

	2022 US$'000	2021 US$'000
Letters of credit	12,209	16,184
Guarantees given to third parties	-	348
	12,209	16,532

In February 2023 a supplier claimed that is has undercharged the Bank for the software licences that the Bank is using. As the Bank does not have full visibility into the software due to the structure of the software, which was installed by a third party, the Bank is seeking external validation of the claims. Should the claims be validated, this may result in reimbursement due to the supplier, but the financial effect of this cannot be estimated at this point in time.

33. Leases

Low value leases

The Company had total minimum lease payments in respect of low value leases for land and buildings and equipment used in the business as follows.

Leases which expire:	**2022 US$'000**	2021 US$'000
Within one year	7	7
Within two to five years	-	-
Over five years	-	-
	7	7

NOTES TO THE FINANCIAL STATEMENTS (continued)

33. Leases (continued)

Right-of-use-assets

	Land and Buildings US$'000 2022	Land and Buildings US$'000 2021
At 1 January	2,430	3,019
Depreciation charge for the year	(378)	(392)
Foreign exchange movements	-	(197)
At 31 December	**2,052**	**2,430**

Lease liabilities

	Land and Buildings US$'000 2022	Land and Buildings US$'000 2021
At 1 January	2,728	3,170
Interest expense	102	132
Lease payments	(473)	(529)
Foreign exchange movements	(292)	(45)
At 31 December	**2,065**	**2,728**

Lease liabilities which expire:	**2022 US$'000**	**2021 US$'000**
Within one year	242	529
Within two to five years	1,851	1,927
Over five years	247	691
	2,340	**3,147**

These lease liabilities relate to the rental lease for the Bank's office premises at 1 King's Arms Yard, London, EC2R 7AF. In 2018 the Bank entered into a 10-year lease agreement for its office premises with a fixed rental term agreed for the first 5 years. This lease expires on the 31 May 2028. The Bank has agreed to a known minimum increase at the end of the fixed term rental period and this has been factored into the lease calculations. These calculations are subject to amendment if any future rent increase is above the known minimum amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34. Dividends

A dividend payment of US$nil was made during the year ended 31 December 2022 in respect of the year ended 31 December 2021 (made during the year ended 31 December 2021 in respect of the year ended 31 December 2020: US$nil).

35. Ultimate parent company and controlling party

The Bank is owned by a number of different companies. The percentage holding of each company is as follows:

Union Global Partners Limited	65.0%
Atlas Mara Limited	27.0%
Stanbic IBTC Trustees Limited	6.7%
Other	1.3%

Due to partial ownership of UGPL, Atlas Mara Limited owns 49.5% of UBUK.

36. Subsequent events

The directors do not propose a dividend in respect of the year ended 31 December 2022 (2021: US$nil)

OTHER DISCLOSURES

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 (SI 2013 No. 3118) implements part of the European Union's Capital Requirements Directive ("CRDIV"). Credit institutions and investment firms must disclose certain information on a consolidated basis for each country in which the firm has a subsidiary or branch.

Union Bank UK plc is a bank, and this disclosure meets its Country-by-Country Reporting ("CBCR") obligations under the Regulations. The information contained in this document reflects the position as at 31 December 2022.

Union Bank UK is required to disclose the following information:

Country (by turnover size)	Turnover ($m)	Employees*	(Loss) before tax ($m)	Corporation tax paid ($m)	Public subsidies received ($m)
United Kingdom	3.99	36	(5.38)	0.00	Nil
Consolidation adjustments	-	-	-	-	-
Group Total	**3.99**	**36**	**(5.38)**	**0.00**	**Nil**

**the average number of employees on a full-time equivalent basis*

Country	**Description of Activities**	**Name of entities**
United Kingdom	Corporate, Retail & Commercial Banking Treasury & Trade Finance services	Union Bank UK plc