

UNION BANK UK plc

Annual Report & Financial Statements 31st December 2010



A member of the
Union Bank of Nigeria Plc
Financial Group



Our Mission Statement

*To create partnerships for wealth
creation through professional, innovative
and personal customer care*

Financial Highlights

Thousands of US dollars
(unless otherwise stated)

	2010	2009	2008/9	2007/8	2006/7
Reporting period (months)	12	9	12	12	12
Reporting period ended	31st December	31st December	31st March	31st March	31st March
Operating Profit	11,577	6,866	12,565	13,222	12,158
Profit before tax	3,030	94	3,087	3,696	3,102
Profit after tax	2,158	32	2,218	2,554	2,117
Dividends declared †	-	1,107	1,278	1,013	140
Shareholders' Funds #	68,349	66,191	67,266	66,419	64,878
Total Assets	714,018	1,005,040	1,155,690	1,160,813	767,865
Capital / Risk Weighted Assets	27%	24%	23%	22%	38%
Return on Equity	5.0%	0.2%	6.0%	7.2%	6.3%
Cost Income Ratio	74%	99%	75%	73%	78%
Dollar / sterling exchange rate					
Year end	\$1.55	\$1.62	\$1.43	\$1.99	\$1.97
Average	\$1.54	\$1.61	\$1.70	\$2.02	\$1.91

† Dividends are accounted for in the year in which they are paid, not in the year in which they were declared.

Including subordinated debt of \$15.0m which was converted to Tier 1 Capital in 2010.

Financial statements are prepared under IFRS with the exception of years 2006/7 and 2007/8 which were prepared under UK GAAP

Chairman's Statement



In 2010, the global economy generally showed an increasingly positive trend for most of the year. However, the first quarter of year 2011 started with seemingly unconnected but nevertheless unfortunate and troublesome events.

Our thoughts and prayers rest with the victims of the unprecedented natural disasters in Australasia and Japan as well as those whose lives are affected by the political unrest in several of the Middle East markets.

I am however pleased to report that Union Bank UK plc (UBUK) financial result in 2010 was better than 2009. The Bank is emerging as a more focussed business, able to compete much more effectively and add value for its customers in their business dealings within a growing number of African markets.

As noted in the Directors' Report, the Bank has kept pace with the increasing volume of financial regulation designed to combat the effects of the 2008 financial crisis. This impacted many much larger institutions, including our parent Bank which is now in the process of its recapitalisation with expectations of completion within the current financial year. It is particularly pleasing to note that UBUK has come through this period as a stronger and more resilient business as evidenced by the current results as well as satisfactory internal capital and liquidity assessments.

During the year under review, two new independent directors joined the board - Messrs Asue Ighodalo and Marco Biglia. I am pleased to welcome them to the Bank with the certainty that we will benefit from their wealth of experience in the legal and financial sectors. The Bank also bid farewell to its Finance Director, Mike Conway in 2010. Mike's contribution to the Bank on its journey from a branch of Union Bank Nigeria Plc to a more dynamic, separately capitalised, and UK-regulated business cannot be overstated; he will be sorely missed. We welcome Rollo Greenfield onto the Board as Chief Operating Officer.

I take this opportunity to thank our customers for their faithfulness to the Bank. I also thank my fellow Directors and the Bank's Management and staff for working together to deliver much stronger results in 2010. I have no doubt that given the continuing dedication and teamwork from our people as well as the steadfast support of our existing, loyal, and prospective customers, UBUK, the international flagship of the Union Bank Group, will continue to excel.

Olufunke I Osibodu
Chairman

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Disclosures of information recommended under Basel II, Pillar 3 may be found on our website, www.unionbankuk.com

Please Note

The financial statements information contained herein conforms to IFRS standards for the display of financial data.

Directors, Advisers and Principal Officers

Directors and Advisers

Directors:	Olufunke I Osibodu	Non-executive Chairman and Group Managing Director/Chief Executive of Union Bank of Nigeria Plc
	Kaonen A Ali	Managing Director/Chief Executive
	Marc X M G Biglia	Independent non-executive and Chairman of the Credit & General Purposes Committee
	Neil R Forsyth	Independent non-executive and Chairman of the Audit Committee
	D Rollo Greenfield	Executive Director/Chief Operating Officer
	Asuerinme A Ighodalo	Independent non-executive and Chairman of the Establishment & Remuneration Committee
	Philip C Ikeazor	Non-executive and Executive Director of Union Bank of Nigeria Plc
Secretary:	David W Keene	
Registered Office:	14-18 Cophthall Avenue, London EC2R 7BN	
Solicitors:	Lovells	Atlantic House, London EC1A 2FG
Auditors:	KPMG Audit Plc	15 Canada Square, London E14 5GL

Principal Officers

Management Committee	Kaonen A Ali	Managing Director/Chief Executive
	D Rollo Greenfield	Executive Director/Chief Operating Officer
	Tijjani Baba	Director, Institutional & Commercial Banking
	Simon R E Coe	Associate Director, Risk Management
	John H Denison	Associate Director, Correspondent Banking and Corporate Lending
	Farhood Hieydary	Associate Director, Treasury
	Stuart Hulme	Associate Director, Retail Banking
	David W Keene	Associate Director, Finance and IT
	Janet A Ntuk	Associate Director, Corporate Resources
	Christopher C Nwabuoku	Associate Director, Internal Audit
	John R Robin	Associate Director, Compliance
	Martin Uzus	Associate Director, Structured Trade Finance

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December 2010.

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).

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 is authorised by the UK Financial Services Authority (FSA), pursuant to Part IV of the Financial Services and Markets Act 2000 (FSMA 2000), to carry on regulated financial services activities, including deposit-taking and

The Bank, with the assistance of UBN, has established and maintains the management structure, policies, systems and procedures necessary to enable full compliance with the rules and regulations of FSA.

Directors

The directors of the Bank at the date of this report and those who served during the year ended 31st December 2010, are as follows:

Mrs OI Osibodu	-	Chairman
Dr GAT Oboh	-	Former Chairman – resigned 29th January 2010
Dr KA Ali	-	Managing Director/Chief Executive
Mr MXMG Biglia	-	Non-executive – appointed 12th May 2010
Mr MJ Conway	-	Finance Director – resigned 30th September 2010
Mr JC Efeyini	-	Non-executive – resigned 28th February 2010
Mr NR Forsyth	-	Non-executive
Mr DR Greenfield	-	Executive Director/Chief Operating Officer – appointed 11th February 2011
Mr AA Ighodalo	-	Non-executive – appointed 17th May 2010
Mr PC Ikeazor	-	Non-executive – appointed 23rd March 2010

During the year, the Bank provided qualifying third party indemnity provision on behalf of the directors.

Directors' Report

Continued

Going Concern Basis of Accounting

The financial statements are prepared on a going concern basis.

In keeping with the guidance issued by the Financial Reporting Council in October 2009, 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 resources to continue in business for the foreseeable future. In making this assessment, the Board has considered a wide range of information relating to present and future conditions, including that set out under the headings 'Business Review', 'Financial Risk Management' and 'Developments in Financial Regulation' below.

The assessment has regard to the economic climate in the major markets in which the Bank participates, the financial position of UBN, 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 key risks, as well as current budgets and financial forecasts for profitability, capital and liquidity requirements.

Financial Results

The Bank's financial statements are prepared under the International Financial Reporting Standards (IFRSs) as endorsed by the European Union (EU). 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.

The financial statements for the year ended 31st December 2010 are shown on pages 16 to 48. The profit for the year after taxation amounted to US\$2,158,000 (nine-month period ended 31st December 2009 – US\$32,000).

No dividend was paid in respect of the nine-month period ended 31st December 2009 (paid in respect of the year ended 31st March 2009 - US\$1,107,000), leaving a retained

profit for the year of US\$2,158,000 (nine-month period ended 31st December 2009 - US\$1,075,000 loss).

The directors do not propose the payment of a final dividend for the year (nine-month period ended 31st December 2009 - nil).

Business Review

The Bank had a successful year in 2010 as the benefits of a strategic business re-alignment began to bear fruit. In particular, the Bank's moves to diversify its geographic reach and participate in a broader range of trade finance products boosted margins. These moves also began to address a historic reliance on business sourced from the parent, a not uncommon feature in former branch offices that have, like UBUK, been recapitalised and organised as UK-domiciled and regulated businesses.

Banking fees and treasury results were strongly positive, giving rise to operating income 26% higher than 2009 on an annualised basis. Earnings on Shareholders' Funds were lower than planned in 2010 as a widely expected rise in US\$ interest rates in the second quarter failed to materialise. Despite this, with costs well controlled and no impairment charges, profit before tax of US\$3.03m was recorded. These results heralded a welcome return to the levels recorded by the Bank in 2008/9 and were achieved despite a modest appreciation of Sterling, the currency in which the majority of costs are incurred.

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 return on risk weighted assets (RRWA).

The return on assets is also monitored, but is believed to be a less relevant performance yardstick as the Bank is regularly the beneficiary of large wholesale deposits relating to the Nigerian oil sector. These deposits are recycled into the short-term interbank placings on terms that are broadly

Directors' Report

Continued

profit- and liquidity-neutral for the Bank. The ebb and flow of these deposits can give rise to significant swings in the Bank's footings and were the principal reason for the decline in total assets from US\$1,005m to US\$714m in the year under review.

The Bank's ROE and RRWA were 5.04% and 1.23% respectively in the 12 months to 31st December 2010.

The key indicator of efficiency monitored by the Board is the cost/income ratio which improved from 98.6% to 73.8% in 2010. The Directors expect this ratio to move closer to 50% by 2013.

The Bank's continued profitability is reflected in the improved financial position shown in the statement of financial position on page 17, with shareholders' funds increasing to US\$68.4m (31st December 2009 - US\$66.2m). For comparative purposes, the 2009 figure includes US\$15.0m of subordinated debt that was converted to Tier 1 capital during 2010 as described more fully in note 28 to the financial statements.

Future Prospects

Overall, performance remains closely linked to developments in Nigeria, including the financial strength and performance of the parent bank, and elsewhere in West Africa where traditional correspondent banking and trade-related lending is expected to provide the mainstay of earnings. Business is increasingly being sought and undertaken in other sub-Saharan African markets either in asset-backed transactions or co-financing with established international banks and multilateral development agencies.

In the UK, the Bank continues to serve a retail client base sourced from the large number of Nigerian nationals resident in the UK and increasingly via the efforts of the Representative Office maintained in Lagos.

In order to compete effectively for this business whilst benefiting from the liquidity enhancing benefits of retail deposits, a

number of relevant products and delivery channels are being developed for roll out in 2011, including telephone banking, online account application, and branded personal and corporate cards offerings.

The Bank's Treasury function has been strengthened to ensure effective management and maximise profit opportunities from a greater flow of retail deposits. The new Treasurer assumed office in March 2011.

Notwithstanding these initiatives to increase further the resilience of UBUK as a robust stand-alone business, the parent bank remains one of Nigeria's most important financial services companies. The wider Union Bank Group provides invaluable market intelligence and access to clients of increasing significance as Nigeria benefits from sustained high oil prices and relative regional political stability.

As reported last year, the parent bank is currently benefitting from Central Bank of Nigeria (CBN) support, having received an injection of lower Tier II capital amounting to ₦120 billion (approximately US\$795m) and having appointed a new Board and Senior Management team charged with collection of non-performing debts, enhancing risk management processes and re-positioning the bank for future growth.

As part of this process, an Asset Management Company of Nigeria (AMCON) was created in 2010. This has already acquired significant amounts of the parent company's stock of non-performing loans and plans to acquire the remainder during 2011. At this point UBN along with a number of other so-called "intervened banks" will be readied for recapitalisation under new ownership. In March 2011, a Memorandum of Agreement was signed with a consortium of investors which, subject to regulatory and shareholder approval, intends to invest US\$750m towards the recapitalisation of UBN.

Directors' Report

Continued

During this period, the CBN guaranteed the domestic inter-bank and foreign obligations of the impacted banks until 30th December 2010 and subsequently extended this guarantee to 30th September 2011 in order to enable the affected banks to prepare financial statements under international accounting standards that will form the basis for establishing the final level of intervention by AMCON.

This assistance from the CBN, coupled with the steadfast support of loyal clients has enabled the Bank to continue to provide short-term trade-related credit facilities to Nigerian banks, albeit cautiously.

Financial Risk Management

The principal risks associated with the business of the Bank are credit risk, liquidity risk, market rate risk and operational risk.

The Bank has established a comprehensive risk management framework to manage these risks, guided by the Basel Committee's principles for sound risk management and compliance with Basel II and FSA prudential regulations, including those in respect of liquidity risk. The Board establishes the risk governance structure and sets the overall risk appetite and tolerance 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 mitigation 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 is in the process of finalising a Key Risk Indicator reporting tool.

As required by the UK regulatory authorities, the Bank prepared its first Individual Liquidity Adequacy Assessment (ILAA) as at 30th June 2010, but is yet to receive FSA comments. The new 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.

The results of this first ILAA, which has been reviewed and approved by the Board and the Bank's Internal Auditor, indicated that as at 30th June 2010, there was a positive overall net cumulative gap within the three-month stress period and that the LAB requirement was US\$25m which sum will be built up by 31st December 2014.

It is a requirement that the ILAA is updated annually or more often if there is a material change in the nature of the Bank's business. The next planned ILAA update will reflect the Bank's business model and financial position as at 30th June 2011.

Further information concerning the Bank's policies for managing risks associated with financial assets and liabilities is set out in note 31 to the financial statements.

Directors' Report

Continued

Developments in Financial Regulation

Following a meeting of the Group of Governors and Heads of Supervision of the Basel Committee on Banking Supervision (BCBS) in September 2010, the final outline of long anticipated changes to minimum capital standards (BASEL III) was announced.

Basel member countries, including the UK, will be required to implement the new requirements under transitional arrangements from 1st January 2013 including a minimum Core Tier 1 (Common Equity) Capital requirement of 4.5% of risk weighted assets (RWA), a Total Tier 1 requirement of 6% of RWA and a total Capital requirement of 8% of RWA. Following the conversion of the Bank's subordinated debt to capital during 2010, holdings of Tier 2 capital are not expected to be material.

In addition to these traditional capital requirements, banks will also be required to build up a Capital Conservation Buffer of 2.5% of RWA between 1st January 2016 and 1st January 2019 and a Countercyclical Capital Buffer of between 0 to 2.5% of RWA, although a degree of uncertainty remains over the specific implementation measures and types of capital instrument (other than common equity) which may count towards these requirements.

The Bank will launch a project to assess the impact of these proposals in more detail, although early indications are that they will have a limited impact, notwithstanding the likelihood that an existing haircut applied to the capital treatment for traditional letter of credit transactions will be removed.

In the UK, the FSA has specifically focused on liquidity as well as progressing the implementation in the UK of changes to the regulation of financial institutions through amendments to the Capital Requirements Directive (CRD), including restrictions on exposures to other financial institutions to 25% of capital resources subject to certain reliefs for smaller banks.

The results of the Bank's initial ILAA have been discussed in the Financial Risk Management section above.

Information Management

The Bank seeks to ensure that expenditure on IT and Communications remains appropriate to meet all regulatory and business needs. During the coming year, there are plans to consolidate data storage and implement virtualisation as a means of reducing the number of physical servers in use. Longer term, this paves the way for virtual desktops that are expected to improve business resilience, including in the event of disaster recovery.

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 risks, and staff are appraised and rewarded accordingly.

Share and Loan Capital

On 30th June 2010, the existing subordinated debt of US\$15m was converted to share capital (subordinated debt 31st December 2009 – US\$15m).

Property and Equipment, Intangible Assets and Capital Commitments

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

Directors' Report

Continued

The directors have authorised capital expenditure relating to refurbishment of the Bank's premises and enhancements to information technology systems of up to US\$0.43m as set out in note 32. At 31st December 2010, amounts so authorised but not yet expended amounted to US\$0.27m.

Political and Charitable Contributions

The Bank made no political contributions. Charitable donations during the year amounted to US\$1,458 (nine-month period ended 31st December 2009 - US\$16,911).

Payments to Creditors

It is the Bank's policy to settle all of its trade creditors in accordance with the relevant contractual terms. At 31st December 2010, the amount owed to trade creditors, expressed as a proportion of the amount invoiced by suppliers during the year then ended, was 16 days (31st December 2009 - 24 days).

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 auditors are 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 auditors are aware of that information.

Auditors

KPMG Audit Plc has indicated its willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board



DW Keene
Company Secretary

14 - 18 Copthall Avenue
London EC2R 7BN
21st April 2011

Directors' Responsibilities and Corporate Governance

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

The directors are responsible for preparing 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. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 IFRSs as adopted by the EU; 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

The Board of directors of the Bank comprises two executive directors, non-executive directors appointed by UBN, one of whom is the chairman of the Board, and independent non-executive directors. 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 Credit & General Purposes Committee (C&GPC), the Establishment & Remuneration Committee (E&RC) and the Audit Committee. Each of these standing committees is chaired by an independent non-executive director, has written terms of reference and, with the exception of the Audit Committee, defined limits of authority. The C&GPC meets as often as required but at least quarterly, the Audit Committee meets quarterly and the E&RC normally meets semi-annually.

Directors' Responsibilities and Corporate Governance

Continued

The primary functions of the C&GPC are to consider credit proposals in excess of the limits of authority of the executive Assets & Liabilities and Credit Committees of the Bank, to review financial plans and actual performance against plan, to consider, and check the progress of, major IT initiatives and to monitor compliance with the Bank's credit, large exposure, impairment, liquidity and market risk policies and financial regulations generally.

The Audit Committee comprises solely non-executive directors and is chaired by a financially qualified individual. Meetings are attended by the Bank's Associate Directors from Internal Audit and Compliance, by executive directors when requested and, at least annually, by the independent external auditors. The primary functions of the Audit Committee 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 Audit Committee 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 recruitment or removal of the heads of Internal Audit and Compliance and for appraisal of the performance of those functions.

The E&RC 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 infrastructure of the Bank, including premises, the working environment of staff and insurance arrangements.

Independent Auditor's Report

Independent Auditor's Report to the Members of Union Bank UK plc

We have audited the financial statements of Union Bank UK plc for the year ended 31st December 2010 set out on pages 16 to 48. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2010 and of its profit for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Paul Furneaux
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
London, England

21st April 2011

Statement of Comprehensive Income

For the year ended 31st December 2010

	Note	Year Ended 31 December 2010 US\$'000	Nine Months Ended 31 December 2009 US\$'000
Interest income	6	8,552	6,625
Interest expense	7	(2,797)	(3,065)
Net interest income		5,755	3,560
Fees and commissions income	8	3,919	2,661
Dealing and exchange profit	9	1,946	673
Other operating expense	10	(43)	(28)
Operating income		11,577	6,866
Administrative expenses	11	(7,868)	(6,278)
Depreciation and amortisation	21/22	(679)	(495)
Net impairment recovery on financial instruments	19	-	1
Profit on ordinary activities before tax		3,030	94
Tax on profit on ordinary activities	15	(872)	(62)
Profit on ordinary activities after tax		2,158	32
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year / period		2,158	32

The result for the year is derived entirely from continuing activities.
There were no recognised gains and losses other than those set out above.

The notes on pages 20 to 48 form part of these financial statements

Company Registration Number 4661188

Statement of Financial Position

As at 31st December 2010

	Note	2010 US\$'000	2009 US\$'000
Assets			
Cash at bank and in hand	16	7,766	3,331
Loans and advances to banks	17	506,501	740,303
Loans and advances to customers	18	58,089	35,854
Financial assets held-to-maturity	20	139,649	223,108
Property and equipment	21	286	488
Intangible assets	22	853	1,138
Other assets		363	328
Prepayments		340	414
Deferred tax assets	15	171	76
Total Assets		714,018	1,005,040
Liabilities			
Deposits by banks	23	420,563	706,742
Customer accounts	24	221,520	229,023
Other liabilities	25	2,658	1,454
Accruals and deferred income	26	928	1,630
Subordinated liabilities	27	-	15,000
Total liabilities		645,669	953,849
Equity			
Called up share capital	28	60,090	45,090
Retained earnings		8,259	6,101
Equity shareholders' funds		68,349	51,191
Total Liabilities and Equity		714,018	1,005,040

These financial statements were approved by the Board of Directors and authorised for issue on 21st April 2011.

Signed on behalf of the Board of Directors:



Dr KA Ali
Managing Director / Chief Executive

The notes on pages 20 to 48 form part of these financial statements

Statement of Changes in Equity

	Share Capital US\$'000	Retained Earnings US\$'000	Total Equity US\$'000
Balance as at 1st April 2009	45,090	7,176	52,266
Total comprehensive income for the period	-	32	32
Dividends paid	-	(1,107)	(1,107)
Balance attributable to equity shareholders as at 31st December 2009	45,090	6,101	51,191
Shares issued during the year	15,000	-	15,000
Total comprehensive income for the year	-	2,158	2,158
Dividends paid	-	-	-
Balance attributable to equity shareholders as at 31st December 2010	60,090	8,259	68,349

Statement of Cash Flows

	Note	2010 US\$'000	2009 US\$'000
Profit before tax		3,030	94
Adjustments for:			
Depreciation and amortisation		679	495
Impairment of financial and non financial items		-	(1)
Net gain on disposal of property and equipment		(5)	-
Provision for income tax		(435)	339
		3,269	927
Change in loans and advances to banks		233,802	269,673
Change in loans and advances to customers		(22,235)	(8,787)
Change in financial assets held-to-maturity		85,459	(113,922)
Change in other assets		(35)	40
Change in prepayments		74	(27)
Change in deposits by banks		(286,179)	(275,111)
Change in customer accounts		(7,503)	126,502
Change in other liabilities		1,204	(1,104)
Change in accruals and deferred income		(702)	138
Income tax paid		(531)	(412)
Net cash flow from operating activities		3,354	(3,010)
Acquisition of tangible and intangible assets		(199)	(416)
Proceeds from the sale of tangible assets		11	-
Net cash flow from investing activities		(188)	(416)
Repayment of subordinated debt		(15,000)	-
Issue of ordinary shares		15,000	-
Dividend paid		-	(1,107)
Net cash flow from financing activities		-	(1,107)
Net increase/(decrease) in cash and equivalents		6,435	(3,606)
Cash and cash equivalents at 1st January		3,331	6,937
Cash and cash equivalents at 31st December	16/20	9,766	3,331

Notes to the Financial Statements

1. Reporting entity

Union Bank UK plc (the Bank) 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 International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31st December 2010, there were no unendorsed standards effective for the year ended 31st December 2010 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB.

IFRSs comprise accounting standards issued by the IASB and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body.

(b) Going concern basis of accounting

The financial statements have been prepared on a going concern basis as the directors continue to be of the opinion that the Bank has sufficient resources to continue in business for the foreseeable future.

In forming this opinion, the directors have had due regard to the guidance issued by the Financial Reporting Council in October 2009 entitled 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009'. The assessment enabling the directors to form this opinion has included a wide range of information

relating to present and future conditions, including uncertainties surrounding the financial position of the Bank's parent, UBN, and support afforded to it by the CBN, as well as obtaining satisfaction as to the Bank's own current and prospective capital adequacy and liquidity and the policies in place to manage and control the risks inherent in the markets in which the Bank operates.

(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) Use of estimates and judgement

The preparation of financial information in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies.

In this regard, management believes that the critical accounting policies where judgement is necessarily applied are those which relate to loan impairment.

Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in these notes to the financial statements.

(f) Comparative information

These financial statements include nine months of comparative information for the statement of comprehensive income, statement of financial position as at 31st December 2009, statement of changes in equity, statement of cash flows and related notes on the financial statements.

Notes to the Financial Statements

Continued

(g) Future accounting developments

At the date of authorisation of these financial statements, there were no Standards and Interpretations in issue, but not yet effective, that were relevant to the business of the Bank.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3. Summary of significant accounting policies

(a) Interest income and expense

Interest income on financial assets that are classified as loans and receivables or held to maturity and interest expense on financial liabilities are recognised in the statement of comprehensive income 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 carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and points paid or received, 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 statement of comprehensive income 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:

- income earned on the execution of a significant act is recognised in 'fees and commission income' when the act is completed (for example, a fee arising from arranging a loan facility);
- income earned from the provision of services is recognised in 'fees and commission income' as the services are provided (for example, charges made for servicing customer accounts and the provision of trade finance services); and
- income which forms an integral part of the effective interest rate (for example, certain loan commitment fees) of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'.

(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 statement of comprehensive income.

Exchange profits 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.

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

- 'loans and receivables'
- 'financial assets held-to-maturity'
- 'other financial liabilities'

Notes to the Financial Statements

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 statement of comprehensive income) transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Financial assets classified as loans and receivables or as financial assets held to maturity 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.

Where the fair value cannot be reliably determined for an investment in an equity instrument, the instrument is measured at cost.

(e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified upon initial recognition as available for sale or at fair value through the statement of comprehensive income.

Loans and receivables are recognised initially at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses.

Loans and advances to banks and customers are classified as loans and receivables.

(f) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity and which are not classified or designated upon initial recognition as at fair value through the statement of comprehensive income.

Held-to-maturity investments are recognised initially at fair value, including directly attributable transaction costs, and subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses.

UBUK holds treasury bills, certificates of deposit, and bonds for non-trading purposes which are classified as held-to-maturity.

(g) Capital instruments 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.

Notes to the Financial Statements

Continued

The Bank's subordinated debt, which represented lower Tier II capital under the Basel Accord, bears non-discretionary interest payments and was redeemed on 30th June 2010.

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, customer accounts and subordinated liabilities are classified as other liabilities.

(h) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Impairment of financial assets

The Bank assesses whether there is objective evidence that a financial asset or a group of financial assets, not carried at fair value through the statement of comprehensive income, is impaired. Financial assets or portfolios of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an adverse impact on the amount and/or timing of future cash flows from the asset that can be estimated reliably.

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.

Losses expected from future events, no matter how likely, are not recognised.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and advances or against the carrying value of held to maturity investments as appropriate.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

(j) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. 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 the statement of comprehensive income as incurred.

Notes to the Financial Statements

Continued

Depreciation

Depreciation is recognised in the statement of comprehensive income 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	- 5 years or remaining life of lease, whichever is the shorter
Office equipment and furniture	- 5 years
Computer hardware	- 3-5 years
Motor vehicles	- 4 years

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

(k) Intangible assets - software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years.

(l) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, including 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 the statement of comprehensive income.

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.

(m) Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments made (operating and finance leases)

Payments made under operating leases are recognised in the statement of

Notes to the Financial Statements

Continued

comprehensive income 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.

Finance lease - lessor

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

(n) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

(o) Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in 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. Deferred tax assets and liabilities are offset when a legal right to offset exists in the entity.

(p) 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.

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

(q) Pension costs

The Bank operates a defined contribution pension scheme and the amount charged to the statement of comprehensive income 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.

(r) Sale and repurchase agreements

When the Bank sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

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 banking, which is carried out in the United Kingdom.

Notes to the Financial Statements

Continued

5. Financial assets and liabilities

The table below sets out the Bank's classification of each class of financial asset and liability:

2010

US\$'000	Note	Designated at fair value	Held-to-maturity	Loans and receivables	Other liabilities	Total
Cash at bank and in hand	16	-	-	7,766	-	7,766
Loans and advances to banks	17	-	-	506,501	-	506,501
Loans and advances to customers	18	-	-	58,089	-	58,089
Financial assets held-to-maturity	20	-	139,649	-	-	139,649
Deposits by banks	23	-	-	-	420,563	420,563
Customer accounts	24	-	-	-	221,520	221,520
Other liabilities	25	-	-	-	2,658	2,658
Subordinated liabilities	27	-	-	-	-	-

2009

US\$'000	Note	Designated at fair value	Held-to-maturity	Loans and receivables	Other liabilities	Total
Cash at bank and in hand	16	-	-	3,331	-	3,331
Loans and advances to banks	17	-	-	740,303	-	740,303
Loans and advances to customers	18	-	-	35,854	-	35,854
Financial assets held-to-maturity	20	-	223,108	-	-	223,108
Deposits by banks	23	-	-	-	706,742	706,742
Customer accounts	24	-	-	-	229,023	229,023
Other liabilities	25	-	-	-	1,454	1,454
Subordinated liabilities	27	-	-	-	15,000	15,000

6. Interest income

	12 months to 31 December 2010 US\$'000	9 months to 31 December 2009 US\$'000
Interest income on debt securities and securities held-to-maturity ('classified as held-to-maturity')	860	1,015
Other interest income on loans and advances ('classified as loans and receivables')	7,692	5,610
	8,552	6,625

Notes to the Financial Statements

Continued

7. Interest expense	12 months to 31 December 2010 US\$'000	9 months to 31 December 2009 US\$'000
Interest expense to banks	(2,072)	(2,160)
Interest expense on subordinated loan due in 2016	(58)	(201)
Other interest expense on customer accounts	(667)	(704)
	(2,797)	(3,065)

8. Fees and commissions income	12 months to 31 December 2010 US\$'000	9 months to 31 December 2009 US\$'000
Letters of credit	2,844	1,636
Funds transfer	444	343
Others	631	682
	3,919	2,661

9. Dealing and exchange profit

Dealing and exchange profit relates to foreign exchange income derived from customer facilitation, including transactions on behalf of the UBN, and the revaluation of assets and liabilities denominated in currencies other than the US Dollar.

10. Other operating expense	12 months to 31 December 2010 US\$'000	9 months to 31 December 2009 US\$'000
Other operating charges and brokerage	(43)	(28)
	(43)	(28)

11. Administrative expenses	12 months to 31 December 2010 US\$'000	9 months to 31 December 2009 US\$'000
Wages and salaries, including directors	(4,121)	(2,988)
Social security costs	(433)	(323)
Other pension costs	(247)	(236)
Other staff costs	(545)	(401)
Total staff costs	(5,346)	(3,948)
Other recurring administrative expenses	(2,522)	(2,330)
	(7,868)	(6,278)

Notes to the Financial Statements

Continued

11. Administrative expenses (continued)

Other staff costs include non-recurring items amounting to US\$46,000 relating to restructuring (nine-month period ended 31st December 2009 - US\$nil).

	12 months to 31 December 2010	9 months to 31 December 2009
Average number of employees, including executive directors:	No.	No.
Banking	21	21
Operations	19	19
Administration	5	5
	45	45

12. Pension costs

The Bank makes contributions to the personal pension funds of employees under Group Personal Pension arrangements. During the year to 31st December 2010, the Bank made contributions totalling US\$247,000 (nine-month period to 31st December 2009 - US\$236,000).

Contributions accrued at the reporting date amounted to US\$11,000 (nine-month period ended 31st December 2009 - US\$27,000). There were no outstanding pre-paid contributions at the reporting date.

13. Directors' emoluments

	12 months to 31 December 2010 US\$'000	9 months to 31 December 2009 US\$'000
Executive directors' emoluments	(466)	(418)
Non-executive directors' fees	(138)	(86)
	(604)	(504)

The emoluments of the highest paid director, excluding pension contributions, were US\$248,575 (nine-month period ended 31st December 2009 - US\$252,821). Pension contributions were made during the year amounting to US\$4,971 (nine-month period ended 31st December 2009 - US\$3,791). No benefits in kind were paid during the year (nine-month period ended 31st December 2009 - US\$nil).

Retirement benefits are accruing to one director under Group Personal Pension arrangements (see Note 12) and another director under the Union Bank of Nigeria Plc Staff Pension Fund, a defined benefit scheme.

Notes to the Financial Statements

Continued

14. Profit on ordinary activities before taxation	12 months to 31 December 2010 US\$'000	9 months to 31 December 2009 US\$'000
Operating profit is stated after charging:		
Amounts receivable by the Auditor and its associates in respect of:		
Audit of the financial statements	(126)	(121)
Other services pursuant to legislation	(6)	-
Other services relating to taxation	(134)	(77)
All other services	(6)	(6)
Rental of premises held under an operating lease	(233)	(180)
Other operating lease and similar rentals	(174)	(95)

15. Taxation

Tax on profit on ordinary activities in the statement of comprehensive income:

(a) Analysis of tax charge on ordinary activities	12 months to 31 December 2010 US\$'000	9 months to 31 December 2009 US\$'000
Current tax:		
United Kingdom corporation tax based on the profit for the year / period	(959)	(91)
Exchange differences	(7)	-
Prior year current tax adjustment	-	17
Total current tax	(966)	(74)
Deferred tax:		
Timing differences, origination and reversal	98	44
Prior year deferred tax adjustment	(4)	(32)
Total deferred tax	94	12
Tax expense on profit on ordinary activities	(872)	(62)

Notes to the Financial Statements

Continued

15. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax assessed for the year is higher (nine-month period ended 31st December 2009 - higher) than that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below:

	12 months to 31 December 2010 US\$'000	9 months to 31 December 2009 US\$'000
Profit on ordinary activities before tax	3,030	94
Tax at 28% thereon	(848)	(26)
Effects of:		
Expenses not deductible for tax purposes	(9)	(21)
Exchange differences	(7)	-
Difference on standard tax rate	(4)	-
Adjustments in respect of prior year	(4)	(15)
Tax expense	(872)	(62)

(c) Analysis of deferred tax asset

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

	2010 US\$'000	2009 US\$'000
Depreciation in excess of capital allowances	123	21
Short term timing differences	48	55
	171	76

(d) Factors that may affect future tax charges

The directors are not aware of any factors which may have a material effect upon future tax charges, other than the proposed changes in the rate of corporation tax to 23% over the years to 1st April 2014.

16. Cash at bank and in hand

	2010 US\$'000	2009 US\$'000
Cash	396	434
Short term placements with other banks	7,370	2,897
	7,766	3,331

Notes to the Financial Statements

Continued

17. Loans and advances to banks

	2010 US\$'000			2009 US\$'000		
	Gross amount	Impairment allowance	Total	Gross amount	Impairment allowance	Total
Bank overdrafts	7,654	-	7,654	1,889	-	1,889
Bank loans	498,847	-	498,847	738,414	-	738,414
	506,501	-	506,501	740,303	-	740,303

Loans and advances to banks are categorised as 'loans and receivables' in accordance with IAS 39.

The fair value of the cash collateral held in respect of the loans and advances to banks at 31st December 2010 is US\$27,369,000 (31st December 2009 - US\$16,831,000). 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:

	2010 US\$'000			2009 US\$'000		
	Performing	Impaired	Total	Performing	Impaired	Total
Repayable on demand or at short notice	39,683	-	39,683	7,819	-	7,819
Remaining maturity:						
- 3 months or less excl. above	458,959	-	458,959	721,755	-	721,755
- 1 year or less but over 3 months	7,859	-	7,859	10,729	-	10,729
Less: allowances for impairment (note 19)	-	-	-	-	-	-
	506,501	-	506,501	740,303	-	740,303

Amounts repayable on demand or at short notice include monies pledged to banks in respect of trade finance transactions of US\$27,125,000 (31st December 2009 - US\$733,000).

Notes to the Financial Statements

Continued

18. Loans and advances to customers

	2010 US\$'000			2009 US\$'000		
	Gross amount	Impairment allowance	Total	Gross amount	Impairment allowance	Total
Commercial loans & advances	37,645	(535)	37,110	9,513	(529)	8,984
Personal loans & advances	7,488	(11)	7,477	9,366	(36)	9,330
Syndicated loans	13,502	-	13,502	17,540	-	17,540
	58,635	(546)	58,089	36,419	(565)	35,854

Loans and advances to customers are categorised as 'loans and receivables' in accordance with IAS 39.

The fair value of the collateral held in respect of the loans and advances to customers is US\$34,417,000 as at 31st December 2010 (31st December 2009 - US\$24,726,000). This collateral can be used in the event of default by the borrower.

Out of the total collateral, US\$42,000 is for impaired loans and advances to customers (31st December 2009 - US\$103,000) and US\$1,656,000 (31st December 2009 - US\$2,503,000) is for loans and advances to customers past due not impaired.

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

	2010 US\$'000			2009 US\$'000		
	Performing	Impaired	Total	Performing	Impaired	Total
Repayable on demand or at short notice	8,579	333	8,912	7,744	393	8,137
Remaining maturity:						
- 3 months or less excl. above	22,654	-	22,654	4,358	-	4,358
- 1 year or less but over 3 months	20,831	-	20,831	12,809	-	12,809
- 5 years or less but over 1 year	6,238	-	6,238	11,115	-	11,115
Less: Allowances for impairment (note 19)	(217)	(329)	(546)	(220)	(345)	(565)
	58,085	4	58,089	35,806	48	35,854

Notes to the Financial Statements

Continued

19. Net impairment loss for financial instruments

	2010 US\$'000	2009 US\$'000
At beginning of the year / period	(565)	(532)
Credit to statement of comprehensive income	-	1
Exchange differences	19	(34)
At the end of the year / period	(546)	(565)
Loans and advances to banks	-	-
Loans and advances to customers	(546)	(565)
	(546)	(565)

During the year, the Bank has had no defaults on loans and advances to customers (nine-month period ended 31st December 2009 - US\$nil).

The carrying amount of the loans and advances to customers in default at the end of the reporting period is US\$nil (31st December 2009 - US\$nil).

20. Financial assets held-to-maturity

	2010 US\$'000	2009 US\$'000
Financial assets held-to-maturity at amortised cost		
Treasury bills	2,000	-
Certificates of deposit	134,108	223,108
Bank bonds	3,541	-
	139,649	223,108
Maturity		
- 3 months or less	136,108	223,108
- 1 year or less but over 3 months	-	-
- 5 years or less but over 1 year	3,541	-

Notes to the Financial Statements

Continued

21. Property and equipment

2010

US\$'000	Leasehold Improvements	Office Equipment and Furniture & Computer Hardware	Motor Vehicles	Total
Cost:				
At beginning of the year	631	517	108	1,256
Additions	8	29	21	58
Disposals	-	(1)	(30)	(31)
At end of the year	639	545	99	1,283
Depreciation:				
At beginning of the year	(380)	(328)	(60)	(768)
Charge for the year	(131)	(90)	(32)	(253)
Disposals	-	-	24	24
At end of the year	(511)	(418)	(68)	(997)
Net book value at 31st December 2010	128	127	31	286

2009

US\$'000	Leasehold Improvements	Office Equipment and Furniture & Computer Hardware	Motor Vehicles	Total
Cost:				
At beginning of the period	584	466	108	1,158
Additions	47	51	-	98
At end of the period	631	517	108	1,256
Depreciation:				
At beginning of the period	(282)	(261)	(39)	(582)
Charge for the period	(98)	(67)	(21)	(186)
At end of the period	(380)	(328)	(60)	(768)
Net book value at 31st December 2009	251	189	48	488

Notes to the Financial Statements

Continued

22. Intangible assets	2010 Software US\$'000	2009 Software US\$'000
Cost:		
At beginning of the year / period	2,696	2,378
Additions	141	318
At end of the year / period	2,837	2,696
Amortisation:		
At beginning of the year / period	(1,558)	(1,249)
Charge for the year / period	(426)	(309)
At end of the year / period	(1,984)	(1,558)
Net book value at 31st December 2010 / 31st December 2009	853	1,138

23. Deposits by Banks	2010 US\$'000	2009 US\$'000
Repayable on demand	108,976	397,290
Remaining maturity:		
- 3 months or less excluding above	310,426	309,229
- 1 year or less but over 3 months	1,161	223
	420,563	706,742

Deposits by banks include amounts totalling US\$65,287,000 (31st December 2009 – US\$63,368,000) charged to the Bank to secure actual and contingent liabilities in respect of letters of credit.

24. Customer accounts	2010 US\$'000	2009 US\$'000
Repayable on demand	189,710	197,299
Remaining maturity:		
- 3 months or less excluding above	24,553	19,309
- 1 year or less but over 3 months	7,166	12,415
- 5 years or less but over 1 year	91	-
	221,520	229,023

Customer accounts include amounts totalling US\$25,858,000 (31st December 2009 – US\$2,850,000) charged to the Bank to secure actual and contingent liabilities in respect of letters of credit.

Notes to the Financial Statements

Continued

25. Other liabilities	2010	2009
	US\$'000	US\$'000
Taxation and social security	730	325
Accounts payable	1,561	764
Customers' unclaimed balances	367	365
	2,658	1,454

26. Accruals and deferred income	2010	2009
	US\$'000	US\$'000
Other accruals	672	1,353
Deferred income	256	277
	928	1,630

27. Subordinated liabilities

Subordinated liabilities represented a multi-tranche subordinated loan of US\$15,000,000 granted by the parent company, UBN, on 27th September 2004 and repayable on 30th September 2016. The interest rates payable on the tranches of the subordinated loan were at margins over three- and six-month US\$ Libor. This subordinated loan was converted to 15,000,000 ordinary shares of US\$1 each on 30th June 2010.

28. Called up share capital

	2010	2009
	US\$'000	US\$'000
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	45,000
	60,090	45,090

Reconciliation of allocated and fully paid shares	US\$'000
As at 1st January 2010	45,090
15,000,000 ordinary shares of US\$1 each issued during the year	15,000
As at 31st December 2010	60,090

On 30th June 2010, US\$15,000,000 ordinary shares of US\$1 each were issued on conversion of the US\$15,000,000 subordinated loan to share capital.

The deferred shares carry no voting rights or entitlement to dividend and limited rights in a winding up.

29. Related party transactions

During the year, the Bank undertook commercial arm's length transactions with UBN and its subsidiaries (the UBN Group) in the normal course of business. These include loans and deposits and foreign currency transactions. Loans and advances to banks are cash secured to a maximum of US\$28m (nine-month period ended 31st December 2009 - US\$28m). Balances and related income and expense included in these financial statements in respect of the UBN Group are as follows:

Notes to the Financial Statements

Continued

US\$'000	2010		2009	
	Highest balance during year	Closing balance	Highest balance during period	Closing balance
Holding company				
<i>Assets</i>				
Cash at bank and in hand	102	13	115	29
Loans and advances to banks	31,383	24,867	22,105	13,294
<i>Liabilities</i>				
Deposits by banks	802,795	88,055	780,654	361,115
Accruals and deferred income	30	-	86	-
Subordinated liabilities (note 27)	15,000	-	15,000	15,000
<i>Income</i>				
From holding company		463		596
<i>Expense</i>				
To holding company		941		799
Fellow subsidiaries				
<i>Liabilities</i>				
Deposits by banks	4,806	76	14,040	11,800
Customer accounts	279	265	272	266
<i>Income</i>				
From fellow subsidiaries		5		-
<i>Expense</i>				
To fellow subsidiaries		-		2

The disclosure of the year-end balance and highest balance during the year is considered the most meaningful information to represent transactions during the year.

Mortgage advances to two (31st December 2009 – two) former directors of the parent bank totalling US\$281,391 (31st December 2009 – US\$434,479) were outstanding at the end of the year. These individuals ceased to be directors of the parent bank during 2009.

In addition, a loan made to one executive director of the Bank, on terms generally available to staff, was fully repaid during the year (amount outstanding as at 31st December 2009 - US\$4,636).

There were no other related party transactions or balances requiring disclosure.

30. Contingent liabilities and commitments	2010 US\$'000	2009 US\$'000
Letters of credit	79,514	74,808
Guarantees given to third parties	1,342	1,771

Notes to the Financial Statements

Continued

31. 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 shareholders' funds 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 shareholders' funds 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. Forward foreign exchange transactions are undertaken for the purposes of hedging the US\$ value of the Bank's estimated £sterling expenses.

Presently, it is not the Bank's policy to deal in derivative financial instruments such as interest rate and currency swaps and over-the-counter options.

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.

(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 Credit & General Purposes Committee of the Board. 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 17 to 19.

(i) Age analysis of past due but not impaired assets

Impairment assessment takes into account known recoveries after the reporting date in respect of assets past due at that date as well as collateral held in the form of cash and property and chattel mortgages. The table below shows the age analysis of past due but not impaired assets together with collateral held.

Notes to the Financial Statements

Continued

	2010 US\$'000			2009 US\$'000		
	Gross amount	Collateral	Net	Gross amount	Collateral	Net
Within 3 months	3,656	1,656	2,000	308	24	284
6 months or less but over 3 months	-	-	-	2,479	2,479	-
	3,656	1,656	2,000	2,787	2,503	284

(ii) Credit exposure by sector	2010 US\$'000	2009 US\$'000
Banks	653,916	966,742
Corporate	50,613	26,695
Individuals	7,476	9,159
	712,005	1,002,596

(iii) Credit exposure by location	2010 US\$'000	2009 US\$'000
Europe	445,901	723,037
Africa	106,325	73,651
Others (mainly Canada, Japan and Australia)	159,779	205,908
	712,005	1,002,596

The above sector and geographical analyses only include cash at bank and in hand, loans and advances to banks and to customers and financial assets held-to-maturity.

The Bank extends credit facilities to quality rated and unrated counterparties. All rated counterparties must have a Fitch (or equivalent) rating of no less than B. A large percentage (82%) (31st December 2009 – 90%) of the Bank's total financial assets represent treasury assets with high quality financial institutions, the majority of which had ratings of A to AAA.

As at 31st December 2010, the Bank's maximum exposure to credit was

US\$821m (31st December 2009 – US\$1,092m), of which US\$333,000 (31st December 2009 – US\$393,000) was deemed to be impaired or doubtful. These amounts include all financial assets and undrawn irrevocable loan and trade commitments.

Total trade related exposure was US\$80.9m (31st December – US\$76.6m) against which the bank held cash collateral of US\$19.2m (31st December 2009 – US\$42.3m). In addition, the bank had collateral of US\$37.5m (31st December 2009 – US\$19.7m) in respect of other credit exposures.

Notes to the Financial Statements

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(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 FSA, 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 prime bank certificates of deposit. Also, where possible, the Bank enters into deposit netting agreements with those banks with which it makes placements in order to retain access to funds at short notice.

An analysis of the Bank's liabilities and commitments by maturity is as follows:

2010

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	419,402	1,161	-	-	-	420,563
Customer accounts	214,263	6,772	394	91	-	221,520
Other liabilities	2,658	-	-	-	-	2,658
Subordinated liabilities	-	-	-	-	-	-
Off balance sheet – undrawn loan commitments	27,788	-	-	-	-	27,788
Total liabilities	664,111	7,933	394	91	-	672,529

2009

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	706,519	223	-	-	-	706,742
Customer accounts	216,608	4,122	8,293	-	-	229,023
Other liabilities	1,454	-	-	-	-	1,454
Subordinated liabilities	-	-	-	-	15,000	15,000
Off balance sheet – undrawn loan commitments	12,718	-	-	-	-	12,718
Total liabilities	937,299	4,345	8,293	-	15,000	964,937

Notes to the Financial Statements

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 revaluing 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, save in respect of equity shareholders' funds, which are presently invested short term.

(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:

2010

US\$'000	Time Band						Non-interest bearing	Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	Over 5 Years			
Total assets	683,437	11,914	12,868	3,786	-	2,013	714,018	
Total liabilities and capital	(633,665)	(7,933)	(394)	(91)	(-)	(71,935)	(714,018)	
Interest rate sensitivity gap	49,772	3,981	12,474	3,695	-	(69,922)	-	
Cumulative gap	49,772	53,753	66,227	69,922	69,922			

2009

US\$'000	Time Band						Non-interest bearing	Total
	Less than 3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	Over 5 Years			
Total assets	1,002,068	369	64	95	-	2,444	1,005,040	
Total liabilities and capital	(938,127)	(4,345)	(8,293)	(-)	(-)	(54,275)	(1,005,040)	
Interest rate sensitivity gap	63,941	(3,976)	(8,229)	95	-	(51,831)	-	
Cumulative gap	63,941	59,965	51,736	51,831	51,831			

Notes to the Financial Statements

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. If all other variables are held constant, the tables below present the likely impact on the Bank's statement of comprehensive income:

2010

US\$'000	Currencies				Total
	US dollar	£ Sterling	Euro	Other	
Total Financial assets	635,457	54,903	20,788	857	712,005
Less: fixed rate assets	(304,993)	(-)	(-)	(-)	(304,993)
Total Variable rate assets	330,464	54,903	20,788	857	407,012
Total Financial liabilities	566,796	53,703	20,805	779	642,083
Less: fixed rate liabilities	(324,554)	(18,734)	(2,852)	-	(346,140)
Total Variable rate liabilities	242,242	34,969	17,953	779	295,943
Net cash flow interest Rate Risk exposure	88,222	19,934	2,835	78	111,069
Possible movement in Libor/Euribor (bps)	100	100	100	100	
Possible impact of increase in Libor/Euribor on profit/loss before tax	882	199	28	1	1,110
Tax charge-28%	(247)	(56)	(8)	(-)	(311)
Possible impact of increase in Libor/Euribor on profit/loss after tax	635	143	20	1	799
Possible impact of decrease in Libor/Euribor on profit/loss before tax	(882)	(199)	(28)	(1)	(1,110)
Tax charge-28%	247	56	8	-	311
Possible impact of decrease in Libor/Euribor on profit/loss after tax	(635)	(143)	(20)	(1)	(799)

Notes to the Financial Statements

Continued

2009

US\$'000	Currencies				Total
	US dollar	£ Sterling	Euro	Other	
Total Financial assets	736,850	238,662	26,373	711	1,002,596
Less: fixed rate assets	(303,846)	(-)	(-)	(-)	(303,846)
Total Variable rate assets	433,004	238,662	26,373	711	698,750
Total Financial liabilities	671,450	237,238	26,416	661	935,765
Less: fixed rate liabilities	(321,874)	(24,975)	(2,866)	-	(349,715)
Total Variable rate liabilities	349,576	212,263	23,550	661	586,050
Net cash flow interest Rate Risk exposure	83,428	26,399	2,823	50	112,700
Possible movement in Libor/Euribor (bps)	100	100	100	100	
Possible impact of increase in Libor/Euribor on profit/loss before tax	834	264	28	-	1,126
Tax charge-28%	(234)	(74)	(8)	(-)	(316)
Possible impact of increase in Libor/Euribor on profit/loss after tax	600	190	20	-	810
Possible impact of decrease in Libor/Euribor on profit/loss before tax	(834)	(264)	(28)	(-)	(1,126)
Tax charge-28%	234	74	8	-	316
Possible impact of decrease in Libor/Euribor on profit/loss after tax	(600)	(190)	(20)	(-)	(810)

(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.

Notes to the Financial Statements

Continued

(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:

2010

US\$'000	Currencies				Total
	US dollar	£ Sterling	Euro	Other	
Total assets	637,177	55,173	20,808	860	714,018
Total liabilities and capital	(636,948)	(55,473)	(20,818)	(779)	(714,018)
Unsettled spot foreign exchange	(166)	167	(1)	-	-
Currency position	63	(133)	(11)	81	-

2009

US\$'000	Currencies				Total
	US dollar	£ Sterling	Euro	Other	
Total assets	738,817	239,102	26,410	711	1,005,040
Total liabilities and capital	(738,814)	(239,143)	(26,422)	(661)	(1,005,040)
Unsettled spot foreign exchange	(98)	82	19	(3)	-
Currency position	(95)	41	7	47	-

(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. 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.

Notes to the Financial Statements

Continued

2010

US\$'000	Currencies (FC)		
	£ Sterling	Euro	Other
Net foreign currency exposures	(133)	(11)	81
Impact of 5% increase in FC:USD rate	(7)	(1)	(4)
Impact of 5% decrease in FC:USD rate	7	1	4

2009

US\$'000	Currencies (FC)		
	£ Sterling	Euro	Other
Net foreign currency exposures	41	7	47
Impact of 5% increase in FC:USD rate	2	-	2
Impact of 5% decrease in FC:USD rate	(2)	-	(2)

Notes to the Financial Statements

Continued

(f) Capital adequacy

The Bank is subject to minimum capital requirements imposed by the FSA, following guidelines developed by the Basel Committee on Banking Supervision and implemented in the UK via European Union Directives. The revised framework, known as Basel II, became effective on 1st January 2008 and 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 FSA'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 Basel II 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 balance sheet engagements that are subject also to given credit risk conversion factors. Under Pillar 2 of Basel II, 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 FSA 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 31st December 2010 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 FSA.

Notes to the Financial Statements

Continued

	2010 US\$'000	2009 US\$'000
Statement of financial position:		
Balance Sheet		
Share Capital	60,090	45,090
Profit & Loss Reserve	8,259	6,101
Total Tier 1 Capital	68,349	51,191
Total Upper Tier 2 Capital - Collective impairment allowance	217	220
Lower Tier 2 Capital – Dated subordinated debt	-	15,000
Total Tier 2 Capital	217	15,220
Total Regulatory Capital	68,566	66,411

The Regulatory Capital shown above differs from that reported to FSA because retained profits cannot be included until such time as the Financial Statements for the relevant period have been audited and approved.

(g) Lending commitments	2010 US\$'000	2009 US\$'000
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Contract amount	27,788	12,718
Credit equivalent amount	13,883	6,359
Risk weighted amount	13,883	6,359

Under the Basel agreement, credit equivalent amounts, obtained by applying credit conversion factors, are risk weighted according to counterparty.

32. Capital commitments

The directors have authorised capital expenditure relating to refurbishment of the Bank's premises and enhancements to information technology systems of up to US\$0.43m. At 31st December 2010, amounts so authorised but not yet expended amounted to US\$0.27m.

33. Dividends

No dividend payment was made during the year ended 31st December 2010 in respect of the nine-month period ended 31st December 2009 (made during the nine-month period ended 31st December 2009 in respect of year ended 31st March 2009 - US\$1,107,000).

The directors do not propose a final dividend in respect of year ended 31st December 2010 (in respect of nine-month period ended 31st December 2009 - nil).

Notes to the Financial Statements

Continued

34. Fair values of financial instruments

Set out below is a year-end comparison of fair and book values of all the Bank's financial instruments by type. Market values are used to determine fair values. In the absence of readily ascertainable market values, directors' estimation is used to determine fair values.

	2010		2009	
	Book Value US\$'000	Fair Value US\$'000	Book Value US\$'000	Fair Value US\$'000
Assets				
Cash at bank and in hand	7,766	7,766	3,331	3,331
Loans and advances to banks	506,501	506,501	740,303	740,303
Loans and advances to customers	58,089	58,089	35,854	35,854
Financial assets held-to-maturity	139,649	139,537	223,108	223,116
Liabilities				
Deposits by banks	420,563	420,563	706,742	706,742
Customer accounts	221,520	221,520	229,023	229,023
Other liabilities	2,658	2,658	1,454	1,454
Subordinated liabilities	-	-	15,000	15,000

35. Ultimate parent company and controlling party

The Bank is a directly wholly-owned subsidiary of its parent and ultimate holding undertaking, Union Bank of Nigeria Plc, a company incorporated in Nigeria and listed on the Nigerian Stock Exchange. The smallest and largest group in which the Bank is consolidated is Union Bank of Nigeria Plc.

Copies of the Group accounts of Union Bank of Nigeria Plc can be obtained from:

Corporate Affairs Department

Union Bank of Nigeria Plc
Stallion Plaza
36 Marina
Lagos
Nigeria

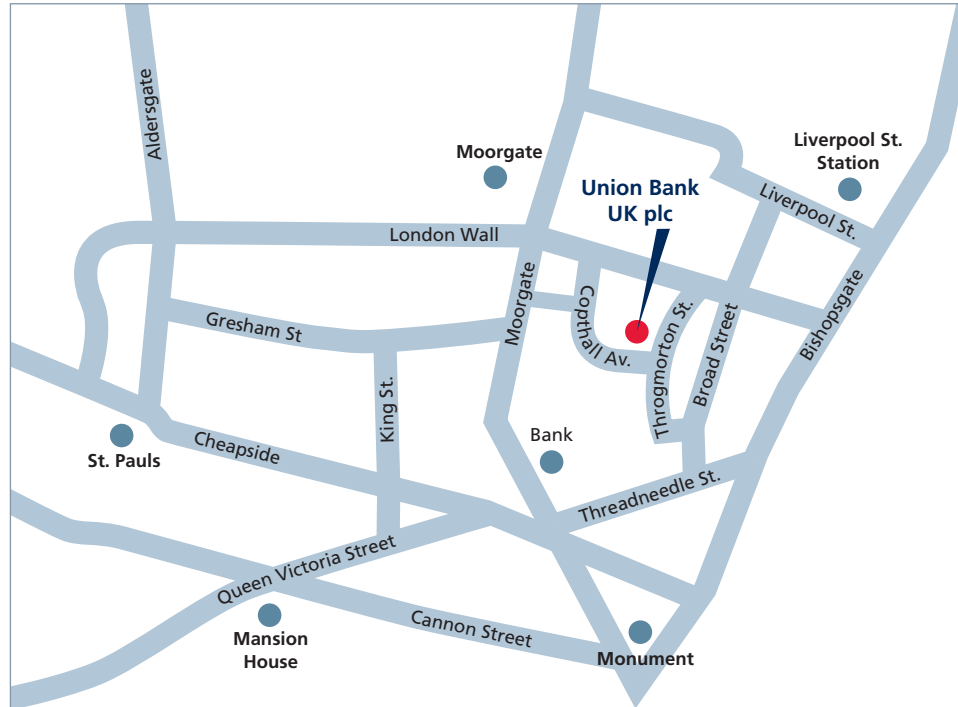
36. Subsequent events

There are no material adjusting or non-adjusting events after the accounting date.

Group Contact Information

Companies	Business	Contact
Union Bank of Nigeria Plc	Retail, commercial and investment banking	Stallion Plaza, 36 Marina, Lagos, Nigeria Tel: +234 (0) 1 263 0361/263 1430 (+234 (0) 1 266 3594 – International Banking)
Union Homes Savings & Loans Limited	Mortgage lending	153 Ikorodu Road, Onipanu, P.M.B. 041 Shomolu, Lagos, Nigeria Tel: +234 (0) 1 740 0840
Union Capital Markets Limited	Investment and financial advisory services	Plot 97, Ahmadu Bello Way Victoria Island, Lagos, Nigeria Tel: +234 (0) 1 280 6860/1
Union Assurance Company Limited	Life and general insurance	95 Broad Street Marina Lagos, Nigeria Tel: +234 (0) 1 264 0277
Union Registrars Limited	Share registration	2 Burma Road, Apapa, Lagos, Nigeria Tel: +234 (0) 1 279 3161
Union Trustees Limited	Trust and custody services	2 Davies Street, PZ Building P.M.B 2027 Marina, Lagos, Nigeria Tel: +234 (0) 1 270 5307
UBN Property Company Ltd	Property development and management	3rd Floor, Stallion Plaza, 36 Marina Lagos, Nigeria Tel: +234 (0) 1 903 2180/1
HFC Bank (Ghana) Limited	Retail and commercial banking and mortgage lending	35 Sixth Avenue, North Ridge P.O. Box CT4603 Cantonments, Accra, Ghana, Tel: +233 21 242 090-4
Banque Internationale du Benin	Retail and commercial banking	BP 03-2098, Carrefour Des 3 Avenue Giran, Cotonou, Benin Tel: +212 (0) 2 222 4142
Consolidated Discount Ltd	Bill and acceptances	Bull Plaza, 38/39 Marina, Lagos, Nigeria. Tel: +234 (0) 1 270 2640-5
Unique Venture Capital Management	Venture capital	5th Floor, 40 Marina, Lagos, Nigeria Tel: +234 (0) 1 891 2071
Union Bank of Nigeria Plc South African Representative Office	Representation	8th Floor, 13 Fredman Drive, Sandton Johannesburg 2199, Republic of South Africa Tel: +27 11 883 3313

Contact Details



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