FBN Bank (UK) Limited

Pillar 3 Disclosures

As at 31st December 2020

Version 2.0

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Prepared by: Regulatory Reporting Team

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Document Control

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Board/Management Body	Recipients
The Board	All Directors
Executive Management Committee (EMC)	All Members
Internal Audit	Head of Internal Audit

Contents

Glossary

ALCO	Asset and Liability Committee.
Asset Encumbrance	A claim against an asset by another party. Encumbrance usually impacts the transferability of the asset and can restrict its free use until the encumbrance is removed.
Basel II	Basel II is a set of international banking regulations put forth by the Basel Committee on Bank Supervision, which levelled the international regulation field with uniform rules and guidelines. Basel II expanded rules for minimum capital requirements established under Basel I and provided the framework for regulatory review, as well as set disclosure requirements for assessment of capital adequacy of banks.
Basel III	Basel III is an international regulatory accord that introduced a set of reforms designed to improve the regulation, supervision and risk management within the banking sector.
Capital Conservation Buffer (CCB)	A capital buffer designed to ensure that banks are able to build up capital buffers outside of periods of stress which can then be drawn upon as losses are incurred.
Capital Requirements Directive (CRD)	An EU legislative package that contains prudential rules for banks, building societies and investment firms. Most of the rules in the legislation have applied since 1 January 2014.
Capital Requirements Regulation (CRR)	The Capital Requirements Regulation (EU) No. 575/2013 is an EU law that aims to decrease the likelihood that banks become insolvent, reflecting Basel III rules on capital measurement and capital standards.
Countercyclical buffer (CCyB)	A capital buffer which aims to ensure that capital requirements take account of the macro-economic financial environment in which banks operate. This aims to provide the banking sector with additional capital to protect it from potential future losses. In times of adverse financial or economic circumstances, when losses tend to deplete capital and banks are likely to restrict the supply of credit, the CCyB should be released to help avoid a credit crunch.
Counterparty Credit Risk	The risk that a counterparty to a transaction will default before the final settlement of the transaction’s cash flows.
Covid-19	An infectious disease caused by a newly discovered Coronavirus.
Credit Conversion Factor (CCF)	The CCF converts an off balance sheet exposure to its credit exposure equivalent which is then risk weighted. Off balance sheet exposures have a probability of becoming a credit exposure and shifting onto the balance sheet. The CCF is an estimate of this probability. The expected value of the credit exposure is derived by multiplying the CCF with the value of the off balance sheet exposure.

Credit Quality Step (CQS)	A step in the European Commission credit quality assessment scale which is based on the credit ratings applied by external credit assessment institutions. The scale is used to assign risk weightings to exposures under the Standardised Approach.
Credit Risk	Credit Risk is the risk that a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Bank will incur losses due to any other counterparty failing to meet their financial obligations.
Credit Risk Mitigation (CRM)	Techniques (such as collateral agreements) used to reduce the Credit Risk associated with an exposure.
CVA	Currency Valuation Adjustment is based on risk that the effect of theoretical exchange rate movements could have on the balance sheet valued in sterling, the Bank's base currency for reporting its financials.
Derivatives	Financial instruments whose value is based on the performance of one or more underlying assets.
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
External credit assessment institutions (ECAI)	These include external credit rating agencies such as Standard & Poor's, Moody's and Fitch.
FirstBank	First Bank of Nigeria Ltd, FBN Bank (UK)'s parent.
FBN Bank UK	FBN Bank (UK) Limited.
FCA	Financial Conduct Authority. The regulatory authority responsible for consumer protection and markets that has, inter alia, taken over responsibility from the FSA for supervising conduct of business.
Funding Risk	The risk that the institution does not have sufficiently stable and diverse sources of funding.
ICG	Individual Capital Guidance. Guidance given by the PRA on the amount and quality of capital resources which the PRA considers that a firm needs to hold as a result of its supervisory review (SREP) of the Bank's ICAAP.
IFRS 9 Transitional Arrangements	EBA approved transitional arrangements to mitigate the impact on capital and leverage ratios arising from the introduction of the new IFRS 9 standard for the accounting treatment of impairments.
ILAAP	Internal Liquidity Adequacy Assessment Process.
ILG	Individual Liquidity Guidance.
Impaired Exposures	Exposures where it is not expected that all contractual cash flows will be collected or will be collected when they are due.

Impairment charge and impairment provisions	Provisions held on the balance sheet as a result of the raising of an impairment charge against profit for the expected credit loss inherent in the lending book. Impairment provisions may be individual or collective.
Interest Rate Risk in the Banking Book (IRRBB)	IRRBB is the risk of value changes to both earnings and capital arising from timing differences in the re-pricing of the Bank's assets and liabilities and unexpected changes to the level and/or shape of the yield curve.
Internal Capital Adequacy Assessment Process (ICAAP)	The institution's own assessment of the level of capital needed in respect of its regulatory capital requirements (for Credit, Market and Operational Risks) and for other risks including stress events.
LGD	Loss Given Default. Loss should a credit exposure fail taking recovery (e.g. value of collateral) into account.
Leverage Ratio	Tier 1 capital divided by the exposure measure.
Liquidity Risk	Liquidity Risk is the risk that the institution has insufficient cash resources to meet its obligations as they fall due or can only do so only at excessive cost.
Market Risk	Market Risk is defined as the risk that movements in market prices (such as interest rates, foreign exchange rates and the market value of financial instruments) lead to a reduction in either the Bank's earnings or capital.
Minimum capital requirement	The minimum regulatory capital that must be held in accordance with Pillar 1 requirements for Credit, Market and Operational Risk. This is currently 8%.
Over the counter derivatives (OTC)	Derivatives for which the terms and conditions can be freely negotiated by the counterparties involved, unlike exchange traded derivatives which have standardised terms.
Operational Risk	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
PD	Probability of Default. Likelihood that credit obligor will default.
PFE	Potential Future Exposure. Multiply notional amounts or underlying reference asset values as applicable by percentages in tables in CRR and according to principles in CRR.
Pillar 1	The first pillar of the Basel II framework sets out the minimum regulatory capital requirements (8%) for Credit, Market and Operational Risks.

Pillar 2	The second pillar of the Basel II framework, known as the Supervisory Review Process, sets out the review process for a bank's capital adequacy; the process under which supervisors evaluate how well banks are assessing their risks and the actions taken as a result of these assessments.
Pillar 3	The third pillar of the Basel II framework aims to encourage market discipline by setting out disclosure requirements for banks on their capital, risk exposures and risk assessment processes. These disclosures are aimed at improving the information made available to the market.
PSM	Periodic Summary Meeting (PSM) is an annual firm-specific meeting at which the PRA discusses supervisory work conducted over the previous year, agrees the key issues and the associated supervisory work plan for the coming year, and sets out a medium-to-long-term supervisory strategy. The Bank's latest PSM letter was dated 27 July 2020.
Prudential Regulatory Authority (PRA)	Responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
RAS	Risk Appetite Statement which articulates the level and types of risk that the Bank is willing to accept or that it seeks to avoid.
Regulatory capital	The capital that a bank holds, determined in accordance with the relevant regulation arising from Basel III.
Residual maturity	The length of time remaining from present date until the maturity of the exposure.
Risk appetite	The level and types of risk that a firm is willing to assume to achieve its strategic objectives.
Risk Weighted Asset (RWA)	Calculated by assigning a degree of risk expressed as a percentage (risk weight) to an exposure value in accordance with the applicable Standardised Approach rules.
Settlement Risk	Settlement Risk is the risk that a counterparty fails to deliver a security or its value in cash in accordance with contractual agreements after the other counterparty has already delivered a security or cash value in accordance with the same agreement.
SREP	Supervisory Review and Evaluation Process sets out the factors that the PRA takes into consideration to assess a firm's ICAAP, including the setting of firm-specific capital requirements and the PRA buffer. The Bank's latest Capital-SREP was dated 21 August 2020.
Stress testing	The term used to describe techniques where plausible events are considered as vulnerabilities to ascertain how this will impact the capital resources which are required to be held.

Standardised Approach In relation to Credit Risk, the method for calculating Credit Risk capital requirements using risk weightings that are prescribed by regulation. Standardised Approaches, following prescribed methodologies also exist for calculating Market and Operational Risk capital requirements.

Tier 1 capital A component of regulatory capital, comprising Common Equity Tier 1 capital and other Tier 1 capital. Other Tier 1 capital includes qualifying capital instruments such as non-cumulative perpetual preference shares and other Tier 1 capital securities.

Tier 2 capital A component of regulatory capital, comprising qualifying subordinated loan capital and related non-controlling interests.

1 Overview

1.1 Background

FBN Bank (UK) Limited ("FBNBank UK" or "the Bank") is a subsidiary of the First Bank of Nigeria Limited (FirstBank). FBNBank UK provides banking services to government institutions, financial institutions, corporates and individuals from Europe, Nigeria and Sub-Saharan Africa (SSA), with the aim of becoming their preferred UK and European Bank.

The Bank is an ultimate subsidiary of FBN Holdings Plc, a publicly listed entity on the Nigerian Stock Exchange. FBNBank UK's immediate majority shareholder is FirstBank. FirstBank has a long history in the West Africa region, since its establishment as The Bank of British West Africa over a century ago and the first banking institution in Nigeria. FBNBank UK is authorised by the Prudential Regulation Authority (PRA) and is regulated by both the Financial Conduct Authority (FCA) and the PRA. The Bank was incorporated in England and Wales in 2002 as a Limited Company under the Companies Act 1986. Prior to that it operated as a Branch of its parent since 1982. The Bank operates from the City of London with representative offices in Paris and Lagos.

These disclosures have been prepared to provide information on the basis of calculating capital requirements and on the management of risks faced by the Bank in accordance with the rules and guidance laid out in the Capital Requirements Regulation (Part Eight), CRR delegated acts and guidelines and the PRA rulebook and guidance Rulebook and guidance unless otherwise stated and should be read in conjunction with the Bank's 2020 Annual Report and Financial Statements.

1.2 Basis and Scope of Disclosures

Disclosure forms part of the Three Pillars of the Basel Accords by the Basel Committee on Banking Supervision (BCBS). The Basel Accords have been enacted through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) which FBNBank UK is subject to.

The pillars of the Basel Accords are:

- Pillar 1 – Enhanced Minimum Capital & Liquidity Requirements
- Pillar 2 – Enhanced Supervisory Review Process for Firm-wide Risk Management and Capital Planning
- Pillar 3 – Enhanced Risk Disclosure and Market Discipline.

The Pillar 3 Disclosure requirements are documented in the CRR and CRD which first came into effect on 1 January 2014, and a number of other EU regulations and guidelines. In the UK, the CRR and other regulations have been incorporated into UK Law.

With effect from 1 January 2022, the PRA plans to produce single source of disclosure requirements under the PRA Capital Requirements Regulation. The UK standards will be closely aligned with the global BCBS standards and the European CRR standards.

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

The Bank continues to develop the transparency and quality of its disclosures to ensure they are as clear and informative as possible.

1.3 Frequency and Location

The Bank's Pillar 3 is prepared annually in accordance with CRD IV and may differ from similar information in the Bank's Annual Report and Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS). All figures are at 31 December 2020, unless otherwise stated. The Pillar 3 report is published on the Bank's website: www.fbnbank.co.uk

1.4 Verification and Supervision

The disclosures have been subject to internal verification and review by the Audit Committee on behalf of the Board but have not been, and are not required to be, subject to independent external audit.

2 Operating Environment

At the start of 2020, the global economic outlook appeared to be stabilising following improving sentiment in markets especially after a quelled US-China trade war, and the diminishing risk of a no-deal Brexit. This started prompting a revival in sentiment towards global growth which was expected to increase by 3.3% over the course of 2020, as forecasted by the International Monetary Fund (IMF). 2020 promised to be an exciting year with better results for FBNBank UK. We started the year strongly, in line with our performance targets for the year, including growth in the commercial loan portfolio, quality yields on asset and a cost optimisation drive. Just as we were building momentum, COVID-19 occurred which had an almost instant impact on our operating environment and customer base.

The pervasive nature of the pandemic led to a retooling of our operation and strategy. The Bank immediately implemented a framework that minimised disruption to our operations including remote working arrangement and realigning of operations as. All this was done whilst maintaining the most prudent risk management approach possible in a heightened risk environment. To fully augment these changes, we adapted our governance structure for remote working which enhanced the way we arrange and oversee our activities to ensure that our customers continue to enjoy seamless and uninterrupted service while ensuring the safety and wellbeing of our staff.

The Bank assessed its key sensitivity to current and future performance, considering the continued impact of the COVID-19 pandemic, was in relation to expected credit losses (ECLs) on customer lending. As a result, the Bank considered the impact on its asset portfolio from stress on macroeconomic variables such as global output contraction, drop in oil prices, zero to negative interest rates, sharp fall in residential property index with the GBP-USD exchange rate remaining constant.

The Bank estimated the potential impact on ECLs under various stress scenarios assuming a several notch downgrade on the bank's asset portfolio to account for stress on macroeconomic variables and its impact on credit and counterparty risk. Under these stress scenarios there would be increase in expected credit loss provisions, and this has been considered in the going concern assessment. The results from the going concern assessment, demonstrated that in the base case to mid-severity stress scenarios, no regulatory capital ratios were breached, while in the most severe scenario, the Bank is able to restore its capital by taking appropriate management action to reduce balance sheet growth by reducing lending, which in turn reduces capital requirements.

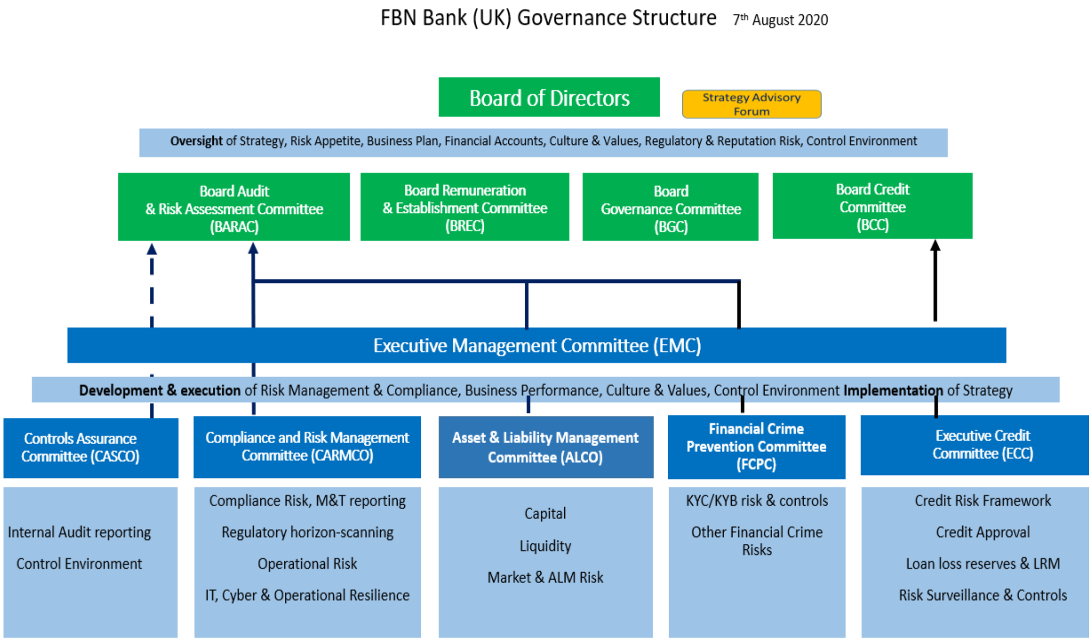
3 Risk Management Governance

The Board of Directors of is responsible for determining the applicable framework for risk management and control and approval of policies and governance terms of reference. The Board is ultimately responsible for the management of the Bank – including its Representative offices in France and Nigeria – and for establishing and monitoring the effectiveness of its corporate governance framework. The Board, the membership of which includes three Independent Non-Executive Directors, three Non-Executive Directors and two Executive Directors, is also responsible for determining the Bank's strategic direction and Risk Appetite.

The Board meets at least once every quarter and usually six times a year as the need arises. Day-to-day management responsibilities are delegated to the Bank's Executive Management Committee, which comprises the Chief Executive Officer, Executive Director, Business Development, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Head of Compliance and MLRO. It is advised by the General Counsel and Head of Human Resources, who attend formal meetings.

To fulfil its responsibilities, the Board is supported by four committees. An illustration of the Board's committee structure is provided below. The formal committee structure, including terms of reference and membership details, is maintained centrally and any change to these are approved by either the Executive Committee and/or the Board, as appropriate.

Diagram 1 - Corporate Governance Arrangements



3.1 Governance Committees

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

Board Committees

Board Audit and Risk Assessment Committee (BARAC)

BARAC is a standing Board Committee comprising three Non-Executive Directors that consider matters relating to Audit, Compliance, Internal Control, Financial Control and Business Risks to ensure transparency and control.

Board Remuneration & Establishment Committee (BREC)
BREC is a standing Board Committee comprising three Non-Executive Directors that consider HR requirements including the remuneration of the employees, executive directors and the non-executive directors of the Bank on a periodic basis,and ensuring resource levels are consistent with the current scope and future growth projections. It also considers the capital expenditure and infrastructure needs of the Bank.

Board Governance Committee (BGC)
The objective of BGC is to assist the Board in discharging its responsibilities relating to the nomination of members and enhancing the Bank's governance through a continuous assessment of its approach to corporate governance. The Committee comprises three Non-Executive Directors of the Bank.

Board Credit Committee (BCC)
BCC is a standing Board Committee comprising three Non-Executive Directors of the Bank that considers credit and other risk policies as well as portfolio management to ensure consistency with guidelines and limits established.

Management Committees

Executive Management Committee (EMC)
EMC is the principal management committee and is responsible for implementing the Board Strategy and management plan of the Bank. This includes carrying out the business and operational strategies established by the Board and oversees the overall governance and management, strategy and business performance, risk management, regulatory issues and financial performance of the Bank.

Control Assurance Committee (CASCO)
CASCO is responsible for strengthening the 'third line of defence' of the Bank with a dedicated senior management forum to ensure that the correct standards for the control environment are adhered to, therefore enhancing/supplementing the insight provided by the internal audit function. This is of particular importance given the expected growth of the business. Its primary objective is to assist the CEO in the overall oversight of:

(i) Control Effectiveness Assurance: the audit assessment of the effectiveness of the Bank's control framework and risk mitigation; and
(ii) Audit: the evaluation of significant findings in regard of the Bank's internal controls (and the associated recommendations) arising from: internal audits, external audits, and regulatory reviews and overall control assessments

Compliance and Risk Management Committee (CARMCO)
The purpose of CARMCO is to assist the CEO with the overall oversight of all material aspects of risk management, with a specific responsibility for:

(i) **Operational risk:** all areas of operational risk, which are material to the Bank's activities, inter alia: systems and technology, data and information security, financial crime, health and safety, business continuity and disaster recovery, outsourcing risk, HR risk, legal risk and documentation risk; and
(ii) **Systems and controls:** establishment, management and monitoring of the Bank's risk control systems, policies and management information.

In this context, CARMCO have responsibility for general risk oversight and control across all risk domains but will not have responsibility for the specific credit; market; liquidity and capital risk related issues.

The committee reviews regulatory compliance issues affecting the activities of the Bank. Its purpose is to ensure good compliance management and to protect the Bank from reputational damage, financial loss or regulatory penalties by ensuring, inter alia:
(i) Conduct: a sound culture and appropriate conduct by all employees with the interests of the client and market integrity as main objective; and
(ii) Financial Crime: robust financial crime prevention, in particular money laundering, terrorist financing, bribery and corruption, sanctions violations.

Asset & Liability Management Committee (ALCO)
ALCO has overall responsibility for managing the risks associated with the Bank's balance sheet in line with the risk appetite set by the Board. ALCO's responsibilities include Capital Management, assessing the adequacy of funding, margin management, liquidity management and oversight of market risk.

Executive Credit Committee (ECC)
The primary responsibility of ECC is to review and, if appropriate, recommend or approve all credit proposals that exceed four eye delegation limits, guided by Board agreed policies and strategy. In making an overall assessment, the ECC will also consider any conflicts with local regulations, operational credit issues, reputational risk and tax and legal matters.

Financial Crime Prevention Committee (FCPC)
FCPC is set up to provide a dedicated governed forum to assess Financial Crime risks while ensuring the quality of the assessment process and effectiveness of controls to mitigate the identified risks. The Committee reviews and make recommendations to EMC for ratification, on decisions to on-board a prospective client or continue to do business with an existing client following a renewal or referral (of an event driven review) to the Committee.

3.2 Other Governance Tools

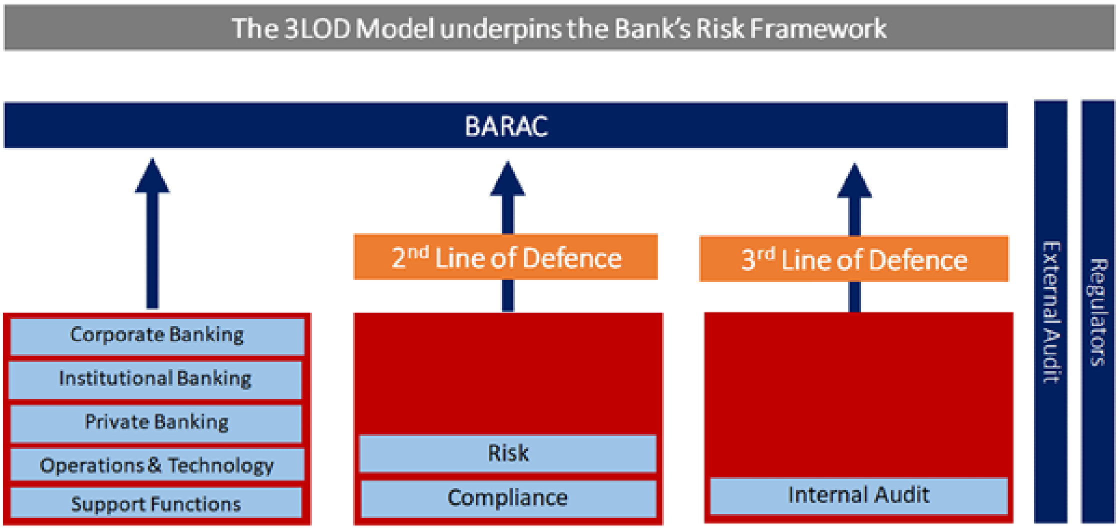
Three Lines of Defence Model
FBNBank UK recognises and promotes the importance of internal controls in accordance with the practice of the 'three lines of defence' model including the business unit, oversight unit and audit units. These three units work together as follows:

a) Business/functional unit (first line of defence): The Business have ownership, and accountability for risks and controls and are responsible for identifying and managing risk. There is a separation of duties between operators and supervisors.

b) Oversight unit (second line of defence): The Chief Risk Officer (CRO), the Head of Compliance and the Anti-Money Laundering Reporting Officer advise, monitor and test the activities of the business units and assess and report on whether the business units comply with relevant laws, regulations and the Bank's policies and procedures; and

c) Audit unit (third line of defence): Internal auditors (in conjunction with the Controls Assurance Committee) are responsible for assessing the adequacy of internal controls and providing advice to the Board to ensure that the Bank has effective internal control systems.

Diagram 2 – The 3 Lines of defence model



4 Risk Management

Risk is inherent in the Bank's business and activities. Our ability to identify, assess, monitor and manage each type of risk to which the Bank is exposed is an important feature in our financial soundness, performance, reputation and prospect.

The main risks arising from FBNBank UK's financial instruments are credit risk, market risk and liquidity risk. Market risk includes interest rate risk and foreign currency risk.

Management reviews and agrees policies for managing each of these risks and they are summarised below.

Apart from these risks, the Bank is also exposed to other risks like Legal risk, Regulatory risk, Conduct risk, Post Brexit risk, Libor transition, Financial risk of climate change

4.1 Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligation under a contract. It arises principally from lending, trade finance and treasury activities. Internal controls are in place within FBNBank UK's credit function which are designed to ensure that loans are advanced in accordance with the Bank's credit policy and that drawn facilities are monitored on a regular basis by the appropriate level of management.

Credit risk comprises counterparty risk, settlement risk and concentration risk.

The dominant business lines for FBNBank UK are trade finance-related, within which transactions tend to be short-term and routine and market-standard in nature, with inherent structural and documentary protections. The credit environment remained volatile over the greater part of the year, with most of the Bank's clients having been adversely impacted by various market developments, mainly COVID-19, oil prices and scarcity of FX in our key markets.

The changing environment has necessitated a review of the Bank's risk appetite, particularly within the commodities sector, which was assessed to be more vulnerable. The focus has therefore been on delivering a prudent and effective response to the challenges arising, including tightening and strengthening credit processes, enhancing credit monitoring whilst adhering to regulatory directives.

The Bank continues to place emphasis on strengthening the credit risk architecture and framework to enhance the pro-activeness in the detection of early warning signals, and surveillance. In this regard the Bank successfully migrated to the Moody's CreditLens Platform and is implementing a Credit Workflow tool within CreditLens. This development is expected to further enhance efficiencies in our credit risk assessment and processing.

Credit Risk Management

As the major risk faced by the Bank, effectiveness of the credit risk function is paramount.

FBNBank UK's Credit Committees are responsible for the control and management of credit risk. At Board level this includes the review of policies, procedures and portfolio management whilst at Executive Credit Committee, the focus is on approving credit recommendations and delivery and enhancement of the credit risk management framework.

The credit risk management framework ensures that adequate systems, procedures and policies are in place, establishes lending authority levels, sets the risk appetite and the monitoring of performance against it, and includes risk portfolio management, risk modelling and a stress testing framework. Both second and third lines of defence assess the effectiveness of the controls and processes.

In addition, the ECC has the following primary responsibilities:

1. Ensure consistency and alignment in credit risk management, including strict adherence to credit risk policies and procedures, risk acceptance criteria, single obligor limits, deploying "best practice" risk management tools and risk reporting.

2. Consider, approve or decline all such new credit risk proposals within its delegated authority, ensuring that the relevant policies and procedures have been followed and making an assessment as to the acceptability of the credit risk and its conformity with the Bank's risk appetite.

3. Consider, approve or decline all annual reviews of existing transactions and/or excess positions, within its delegated authority.

4. Review the overall credit risk portfolio of the Bank, and the review of actual positions versus limits and risk acceptance statements; and

5. Reviewing the performance of exposures that are exposed to credit risk on a monthly basis. The Bank reports late payments, accounts in arrears and non-performing loans regularly assessing the appropriate stage classification for impairment and impairment provisions under IFRS 9. The Bank also assesses the appropriate remedial management and/or recovery strategy.

Credit Risk Assessment

The exposure to credit risk is managed by an analysis of the ability of the borrowers to meet their obligations using an internal credit rating system. The Bank has implemented an approved system in order to guide risk assessments where the borrower does not have an external rating.

Not only the counterparties, but also the markets and the countries in which the counterparties' conduct business are assessed. Counterparty limits and country limits are established prior to the advancement of any facilities. The Bank also has policies on the levels of collateral that are required to secure facilities where relevant.

In instances where not only the borrowers but also related entities have obtained facilities, the total exposure on a group basis is considered in determining credit risk and single obligor exposure. Internal single obligor limits on a single and group customer basis are also set. The Bank also uses credit risk mitigation to reduce the credit risk of exposures.

Performance

At 31 December 2020, the Bank's maximum exposure to credit risk was £2,522.1m, of which £28.3m was deemed to be impaired or doubtful. These amounts include all financial assets, undrawn irrevocable loans and trade commitments, and derivatives.

The following table shows the value of exposures at the end of the year and the average exposure during the year. The balance sheet reduced by 11% predominantly driven by reduction in wholesale call deposits, which in turn led to a reduction in the Bank's investment securities portfolio comprising of high quality liquid assets including central government and central bank exposures.

Table 1: EU CRB-B – Total and average net amount of exposures

	Exposure Class	Net value of exposures at 31/12/2020 £000	Average net exposures during 2020 £000
16	Central governments or central banks	1,049,244	1,241,235
19	Multilateral development banks	402,725	395,221
21	Institutions	86,856	83,779
22	Corporates	848,956	819,390
23	Of which: SMEs	22,505	16,525
24	Retail	2,279	1,468
26	Secured by real estate property	91,896	96,823
27	Of which: SMEs	2,092	4,808
28	Exposures in default	28,267	58,250
34	Other Exposures	11,865	16,168
35	**Total standardised approach**	**2,522,089**	**2,712,335**
36	**Total**	**2,522,089**	**2,712,335**

* The exposure value is gross exposure (before netting of provisions)

The average net exposure over 2020 is a simple average of the exposures at the end of 2020 and 2019.

Table 2: EU CRB-C – Geographical breakdown of exposures

		UK £000	Africa £000	Western Europe £000	North America £000	Other £000	Total £000
7	Central governments or central banks	374,996	99,748	-	574,500	-	1,049,244
10	Multilateral development banks	-	103,315	127,016	113,490	58,905	402,725
11	International organisations	-	-	-	-	-	
12	Institutions	9,439	-	45,113	4,941	1,765	61,259
13	Corporates	25,256	702,324	5,038	-	40,859	773,478
14	Retail	5,445	1,936	20,496	-	-	27,877
15	Secured by real estate property	21,671	136,644	-	165	8,895	167,375
16	Exposures in default	0	2,607	20,834	-	4,826	28,267
22	Other Exposures	11,865	-	-	-	-	11,865
23	**Total standardised approach**	**448,672**	**1,046,574**	**218,497**	**693,096**	**115,250**	**2,522,089**
24	**Total**	**448,672**	**1,046,574**	**218,497**	**693,096**	**115,250**	**2,522,089**

*This table includes off-balance exposures. Multilateral development banks are reported by location of their head office.

FBNBank UK continued to provide banking services to existing and new customers with business interests spanning Africa, Europe and the rest of the world.

Table 3: EU CRB-D – Concentration of exposures by industry or counterparty types

	£000's	Sovereigns, Multilateral development banks, Financial Institutions	Agriculture, forestry and fishing	Mining and Quarrying	Manufacturing	wholesale and retail trade	Transport and storage	Information and communication	Real estate activities	Other	Total
7	Central governments or central banks	1,049,244									1,049,244
10	Multilateral development banks	402,725									402,725
12	Institutions	86,856									86,856
13	Corporates	480,677	38,461	134,800	104,231	29,930	13,233	47,626	0		848,956
14	Retail									2,279	2,279
15	Secured by real estate property								91,896		91,896
16	Exposures in default		0		20,834				7,433		28,267
22	Other Exposures									11,865	11,865
23	**Total standardised approach**	**2,019,502**	**38,461**	**134,800**	**125,065**	**29,930**	**13,233**	**47,626**	**99,329**	**14,144**	**2,522,089**
24	**Total**	**2,019,502**	**38,461**	**134,800**	**125,065**	**29,930**	**13,233**	**47,626**	**99,329**	**14,144**	**2,522,089**

The above sector and geographical analyses include cash at bank and in hand, loans and advances to banks and to customers and financial investments measured at amortised costs and fair value through the profit or loss.

The Bank extends credit facilities to high quality rated and unrated counterparties. A large percentage of the Bank's total financial assets were to high quality financial institutions, the majority of which had ratings of between A and AAA.

Total trade related exposure was £150m (2019: £234m) against which the Bank held cash collateral of £135m, (2019: £218m). In addition, FBNBank UK had collateral of £457m (2019: £487m) in respect of other credit exposures.

Table 4: EU CRB-E – Maturity of exposures

The table below shows the residual maturity breakdown of the Bank's exposure classes at 31st December 2020.

	Exposure class	Net Exposure Value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		£'000	£'000	£'000	£'000	£'000	£'000
7	Central governments or central banks	374,996	667,242	6,851	155		1,049,244
10	Multilateral development banks		217,431	185,294			402,725
12	Institutions	27,625	44,573	14,659			86,856
13	Corporates	60,707	610,063	178,187			848,956
14	Retail	440	1,827	13			2,279
15	Secured by real estate property		8,367	11,849	71,680		91,896
16	Exposures in default	59	-	28,208			28,267
22	Other Exposures					11,865	11,865
23	**Total standardised approach**	**463,826**	**1,549,502**	**425,062**	**71,835**	**11,865**	**2,522,089**
24	**Total**	**463,826**	**1,549,502**	**425,062**	**71,835**	**11,865**	**2,522,089**

* Exposures are not reported net of provisons

The Bank has not disclosed the table 'Collateral obtained by taking possession and execution processes' as there were no repossessions to report during 2020.

4.2 Market Risk

Market Risk is defined as the risk that movements in market prices (such as interest rates, foreign exchange rates and the market value of financial instruments) lead to a reduction in either the Bank's earnings or capital. The objective of market risk management is to maintain market risk exposures within acceptable parameters, whilst optimising the return on risk. Market risk stems from the Bank's loan portfolio, securities holding, bond trading positions in the trading book and foreign exchange risk positions in the whole balance sheet. The Bank does not own or trade any equity products and does not take positions in commodity markets. Foreign exchange currency risk is covered below.

The Bank has a small trading book portfolio referred to as 'the Markets business' which operates within the 'small trading book' definition (exposure should be less than 5% of total assets and €15m. It includes Eurobond trading (market-making in Nigerian, Angolan and Ghanaian Eurobonds for mainly Nigerian institutional clients), investments in Nigerian treasury/open market operation bills (Carry Trades) where FBNBank UK invests in NGN-denominated T-Bills (which is hedged) and execution of Non-Deliverable Forwards (NDFs) for FBN Group companies and offshore counterparties. The risk for positions relating to these products is covered under standardised credit risk, counterparty and credit valuation adjustments.

Market risk comprises four types of risk: interest rate risk, foreign currency risk, equity position risk and commodity position risk. FBNBank UK's market risk is primarily to foreign currency risk and interest rate risk.

Interest Rate Risk

Interest rate risk in the banking book is the risk of an adverse impact to earnings or capital due to changes in market interest rates and arises in FBNBank UK due to holding a combination of fixed and variable rate assets and liabilities arising during the normal course of business. The table below summarises the variable rate assets and liabilities by major currencies at 31 December 2020.

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 200 basis points 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 profit or loss.

Table 5 - Interest Rate Sensitivity 200bp Parallel Shift

Sensitivity of projected net interest income to parallel interest rate shock for a one-year forecasting period	200 bp increase £000	200 bp decrease £000
31 December 2020	4,287	(5,031)

Foreign Currency Risk

Foreign currency risk arises from normal banking activities, particularly from the receipt of deposits and the placement of funds denominated in foreign currencies. It is the policy of FBNBank UK to match the currencies of its assets and liabilities as far as practicable. It is also the policy of FBNBank UK to adhere to the limits laid down by the Board in respect of the "overall net open position". The tables below give details of the FBNBANK UK's net foreign currency exposures at 31 December 2020, as a basis of disclosing the Bank's foreign currency sensitivity analysis.

Foreign Currency Sensitivity

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in FBNBank UK's financial assets and financial liabilities at the reporting dates presented, net of FX derivatives. The Bank is exposed to daily currency rate movement; this, is mitigated through its balance sheet hedging operations. All positions are subject to continuous monitoring. Restrictions and enforced stop-loss rules are placed on the maximum position allowed in each currency.

Under the market risk capital requirements, the bank is required to calculate foreign exchange financial position risk, to ensure capital is set aside for exchange rate movements.

The GBP/US$ rate
GBP strengthened against US$ towards the end of the year, buoyed by positive news on the COVID 19 vaccine rollout and the Brexit agreement. This has had a positive effect on our capital ratios maintaining them well above regulatory requirements and allowing for more capacity to write assets. The weaker US$ also has an impact on our US$ income flow. This is constantly being monitored by Finance and relayed to the Business for budget purposes.

Equity Position Risk

This risk arises from adverse change in the price of stocks and shares. The Bank currently does not hold any financial instruments that use equity prices as part of their valuation, hence is not exposed to equity risk.

Debt Securities Position Risk

The risk arises from adverse changes in interest rates affecting the value of holdings of fixed interest-bearing instruments such as debt securities. Treasury, Risk and Senior Management are closely involved in managing this risk. Controls and limits are set and maintained by the Risk department.

Commodity Position Risk

This risk arises from adverse change in commodity prices. The Bank currently does not engage in commodity trading, hence is not exposed to commodity risk. However, the Bank is involved with financing commodities throughout the world and in these cases the commodity risk is taken by the customer, however, in all cases the Bank assesses how the customer mitigates this risk.

4.3 Operational Risk

Operational risk is defined as the risk of direct or indirect loss caused due to an event or action resulting from failure of internal processes, people and systems, or from external events. In other words, operational risk may be defined as any risk which is not credit risk, market risk, liquidity risk, strategic risk or compliance risk or reputational risk. There is interconnection however between operational risk and other risks which can materialise as a consequence of operational risk.

Major sources of operational risk include but are not limited to outsourcing of operations; dependence on key suppliers; IT and information security; internal and external fraud; implementation of strategic change; non-compliance with regulations, process errors (e.g., documentation, AML/financial crime, credit management), pandemics and external threats such as the loss of a critical site or cyber-attacks, and people.

Although overall responsibility for the management of the operational risk management framework rests with the Chief Risk Officer, on a day-to-day basis this is handled by the Operational Risk team. Individual business areas as the first line of defence manage this risk through appropriate controls and loss mitigation actions, including the use of insurance where relevant. These include application of policies, appropriate procedures and internal controls to ensure operational risks are well mitigated.

A process is in place for the recognition, capture, root cause analysis and reporting of risk events. This process is used to help identify where process and control improvements are needed to reduce the recurrence of risk events.

The Bank has adopted the Basic Indicator Approach to measure the financial impact of operational risk. Regulatory capital is calculated by taking a single risk-weighted multiple (15%) of the Bank's average of 3 years' gross operating income.

4.4 Liquidity and Funding Risk

Liquidity risk is the risk of the Bank not being able to meet its payment obligations as and when they fall due. This may be caused by the Bank's inability to liquidate assets, to obtain funding to meet its liquidity needs, or by contractual mismatches between the timings on inflows and outflows.

The Bank manages its exposure to liquidity risk by ensuring that it should a buffer of high quality liquid assets that will enable it to meet its obligations as they fall due under normal and stressed conditions. The Bank also monitors the ratio of its longer dated assets to capital and longer term funding to mitigate the risks deriving from maturity transformation.

Liquidity risk is assessed periodically though the Individual Liquidity Adequacy Assessment Process ('ILAAP') carried out under the rules of the Bank's regulator. The ILAAP is analogous with the ICAAP and is designed to identify and manage all aspects of liquidity risk faced by the Bank as well as regulatory liquidity requirements and the Individual Liquidity Guidance ('ILG') received from the PRA following their risk assessment and liquidity review.

The ILAAP assesses the minimum amount of liquidity FBNBank UK should hold and was updated in March 2020. The ILAAP also informs the Board and proposes the liquidity risk appetite and policies and appropriate controls to enable compliance with this appetite. Liquidity risk is managed on an ongoing basis by ALCO which oversees day to day liquidity risk management by the Bank's Treasury function. The Bank also runs liquidity stress testing on a weekly basis, which is circulated to the Senior Management Team.

ALCO also manages the liquidity structure of the Bank's assets, liabilities and commitments so that cash flows are appropriately balanced to ensure that all funding obligations are met when due and the required liquidity risk measurements by the PRA are not breached. The policy of the Bank is to match the cash flows by maturity and currency as far as practicable for all (and particularly large) exposures or placements.

Details of the Bank's LCR, presented as rolling 12-monthly averages as at each quarter end, are given in the table below. The liquidity buffer includes High Quality Liquid Assets ('HQLA') held to cover Pillar 2 risks. Banks are required to hold a minimum LCR of 100% at all times and FBNBank UK ensures that it has an LCR that exceeds this.

Table 6 - LCR disclosure template (year 2020)

Individual Reporting £'000		Total Weighted Value (Average)			
Quarter		Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Quarter 4 £000
No of data points used in the average		13	13	13	13
21	Liquidity Buffer	1,469,669	1,112,505	772,692	376,604
22	Total Net Cash Outflows	418,173	341,022	276,896	159,636
23	Liquidity Coverage Ratio (%)	351%	326%	279%	236%
	Min Coverage Required	100.00%	100.00%	100.00%	100.00%

4.5 Other Principal Risks

Legal risk

Legal risk is the risk of financial or reputational loss that may result from failure to adequately comply with legislation and regulation, failure to correctly document, enforce or adhere to contractual relationships, inadequate management of non-contractual rights, failure to meet our non-contractual obligations, and mis-management of legal disputes for or against the Bank. The Bank has sought to mitigate the potential for legal risk by recruiting experienced personnel in key departments and establishing an in-house legal function to identify and manage exposure to legal risk. The Bank's in-house legal function manages legal risk through enforcement of legal policy, provision of legal training, advice on legal matters generally and undertaking the structuring, negotiation and documentation of designated transactions where specialist external counsel is not required.

Regulatory risk

FBNBank UK considers regulatory risk, both by considering existing rules as well as future regulatory requirements. The control environment across the Bank has been further strengthened during the year, to mitigate the risk to earnings and capital created from failure to comply with current laws, policies and procedures. The second line of defence provide regular checks and challenge to ensure the business remain compliant. The Bank considers regulatory risk in relation to the impact of new requirements on the Bank's ability to retain its banking licence and to operate across borders. FBNBank UK mitigates the potential detriment by taking a proactive approach to regulatory change ensuring the Bank's readiness to operate in line with emerging regulatory expectations. This is demonstrated by the introduction of horizon scanning as part of the business as usual practice across the Bank.

Conduct risk

Conduct risk is the risk of detriment to our customers, clients, markets or the bank arising from inappropriate execution of our business activities. The Bank mitigates conduct risk by observing a strong compliance culture rooted in customer-centric corporate values. FBNBank UK aims to put customers at the heart of all decision making. The control environment is geared towards identifying, assessing and remediating areas where actions may create detriment. The first line of defence places emphasis on compliance with conduct rules and, on treating the customer fairly.

Post Brexit risk

The UK and EU reached a deal on Brexit in December 2020 which will lead to changes in some key areas of the existing relationship including trade, services and qualifications, travel, fishing rights and education. They are however yet to reach an agreement on data sharing and financial services with the latter having a direct impact on our Bank. As a result, since 31st December the Bank has halted all liabilities raising from Europe pending clarity on the future relationship in financial services between the UK and EU.

Libor transition

The LIBOR working group has continued to manage the transition from LIBOR. A comprehensive impact assessment has already been approved by Management and internal timelines remain on track in accordance with regulatory guidelines provided. We are also actively engaging stakeholders including customers, technology providers and staff to ensure cohesion in terms of changes. The working group continues to provide regular updates to Executive and Board committees.

Financial risk of climate change

The Bank has taken active steps to commence the process of capturing of financial risks from climate change as part of its risk management processes to ensure sustainability of its strategic objectives in the long term and on a forward-looking basis.

It is doing this by building a robust risk management framework which would enable the Bank to identify, manage, monitor and report the impact of climate risk change on its activities in the short, medium and long term. This involves setting a risk appetite and adequate governance structures to manage this risk whilst ensuring that there is a continuous cycle of scenario analysis for ongoing measurement and outcomes which will be disclosed in future Pillar 3 Disclosures in line with more details as they are published in legislation and guidance.

5 Capital Adequacy

5.1 Capital Management

FBNBank UK endeavours to maintain sufficient capital resources to support its current business and growth aspirations. The capital adequacy target is approved annually by the Board, with ongoing monitoring and reporting of changes to the capital forecasts by management. The Board considers the need to change capital forecasts and plans based on these reviews.

The Bank holds capital at a level that the Board considers necessary and the assessment of the amount of capital above the minimum requirement is a combination of regulatory requirement and sound judgment exercised by the Board. In assessing the adequacy of its capital, the Bank considers its Risk Appetite, the material risks to which the Bank is exposed and the appropriate management strategies for each of the material risks, including whether capital provides an appropriate mitigant.

In addition to capital adequacy reporting to the Prudential Regulation Authority (PRA), an internal capital adequacy calculation is performed and reviewed at least weekly by Executive Management and quarterly by the Board, in order to assess the Bank's capital adequacy and to determine the levels of capital required to support current and future risks in the business. The adequacy of the Bank's capital is monitored using among other measures, the rules and ratios established by the PRA.

Internal Capital Adequacy Assessment Process
As part of its regulatory obligation, the Bank undertakes an annual (or more frequently should the need arise) Internal Capital Adequacy Assessment Process (ICAAP) using the regulatory capital model.

The ICAAP considers all material risks to establish additional Pillar 2A capital resource requirements over the medium-term taking account of the Bank's business plans and relevant financial projections. These projections are stressed under various idiosyncratic and market scenarios, the results of which inform the management actions to be taken.

The final ICAAP document is updated and reviewed annually by the Executive Management Committee (EMC) and formally presented to the Board for challenge and approval.

Stress testing
The Bank performs regular stress tests on its capital adequacy and liquidity position under a range of scenarios. The scenarios are regularly updated to reflect the Bank's risk profile and external risks, including the risks of an economic recession.

The stress tests cover the risks to which the Bank is exposed; for example, capital adequacy stress tests based on the macro-economic scenarios analyse the impact on both credit and market risk exposures.

Liquidity stress tests are performed annually as part of the ILAAP process and on a monthly basis. Capital adequacy stress tests are performed yearly as part of the ICAAP process (and will be reviewed monthly from Q2 2021 or more frequently should the need arise). In addition, periodic ad-hoc stress tests are performed as required by EMC or ALCO.

The detailed results of stress tests are presented to ALCO, including the impact of the stress scenario on the Bank's capital requirement, its capital resources and profitability; summary results are presented to EMC. Stress testing is used to determine the Bank's capital adequacy, the adequacy of its liquidity position and to influence strategy and medium-term planning.

As part of its risk management process and in line with regulatory requirements, the Bank carries out annual reverse stress testing. This entails review of scenarios that could lead to insolvency and how to mitigate such scenarios.

5.2 Capital Resources

A summary of FBNBank UK's capital requirements excluding the PRA Buffer against available capital resources at 31 December 2020 is provided in the table below.

The total Capital Available at 31 December 2020 was £216.2m including Tier 2:

Table 7 – Own Funds Disclosure Template

Own Funds - Regulatory disclosure template	2020 £'000	2019 £'000
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1 Common Equity Tier 1 (CET1) capital: Instruments and reserves	220,450	220,450
Of which: ordinary shares	220,450	220,450
2 Retained earnings	(36,965)	(53,416)
3 Accumulated other comprehensive income (and other reserves)	0	0
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments		
Common Equity Tier 1 (CET1) capital: regulatory adjustments	183,485	167,034
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
8 Intangible assets	(2,749)	(3,191)
10 Deferred tax that rely on future profitability excluding those arising from temporary differences	(24,454)	(21,996)
Transitional adjustments on adoption of IFRS 9	25,324	30,750
24 Adjustments to CET1 due to prudential filters	(27)	(20)
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	(1,906)	5,543
29 Common Equity Tier 1 (CET1) capital	181,579	172,577
Tier 2 (T2) capital: instruments and provisions		
46 Capital instrument and the related share premium accounts		
58 Tier 2 (T2) capital	34,586	32,745
59 Total capital (TC = T1 + T2)	216,165	205,322
60 Total capital (TC = T1 + T2)		
Capital ratios and buffers		
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	20.20%	19.38%
62 Tier 1 (as a percentage of total risk exposure amount)	20.20%	19.38%
63 Total capital (as a percentage of total risk exposure amount)	24.05%	23.06%
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) plus capital conservation and countercyclical buffer requirements,as a % of risk exposure amount)**	2.50%	2.56%
65 of which: capital conservation buffer	2.50%	2.50%
66 Of which: counter cyclical buffer		0.06%
68 CET1 capital available to meet buffers (as a % of risk exposure amount)		

Reconciliation of Statutory and Regulatory Capital

£'000	2,020	2,019
Equity as per statement of financial position	183,485	167,034
Regulatory adjustments		
Less intangible assets	(2,749)	(3,191)
Less deferred tax	(24,454)	(21,996)
IFRS 9 Transitional Adjustment	25,324	30,750
Adjustments to CET1 due to prudential filters	(26.778)	(20.000)
Total regulatory capital	181,579.0	172,577.0

Capital Resources

The First Bank of Nigeria Limited (FirstBank) holds 182,000,000 (2019: 182,000,000) or 91% (2019: 91%) of the ordinary shares issued. The remaining issued shares are held by ARC Fin LLP.

Tier 2 capital comprises a US$60 million subordinated loan due to FirstBank, repayable on 20th of March 2027 at an interest rate of 8.25%. The tier 2 amount included in the table above has been restricted to 25% of the Bank's TCR.

IFRS 9 Transitional Adjustment Disclosures

IFRS 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018 and is reflected in the Bank's disclosures. The Bank has elected to use the transitional arrangements available under Article 473a of the CRR. These arrangements allow the IFRS 9 impact on capital to be phased in over a period of 5 years and create a capital add-back which reduces as the impact is scaled down over the 5 years. As such, the values reported throughout this document are on a transitional basis. RWAs are normally calculated on exposure net of provisions. As the provisions have been utilised in the capital add-back, to avoid a double count, they are not netted off the exposures in the RWA calculation.

In June 2020, the EU adopted the CRR Quickfix to mitigate the impacts of the COVID pandemic, which includes an extension of the transitional arrangements. Although, the PRA approved the use of the Quickfix, the Bank has not yet adopted these regulations which are expected to benefit the capital position of the Bank.

Table 8 – IFRS Transitional Adjustments Disclosure

	Individual Reporting £m	Yr Ending 31/12/2020	Yr Ending 31/12/2019
	Available Capital Amounts		
1	Common Equity Tier 1 (CET1) capital	181,579	172,588
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	156,255	141,838
3	Tier 1 capital	181,579	172,588
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	156,255	141,838
5	Total capital	216,165	205,334
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	190,841	174,583
	Risk-weighted assets (amounts)		
7	Total risk-weighted assets	898,917	890,423
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	898,917	890,423
	Capital ratios		
9	CET1 Capital (as a percentage of risk exposure amount)	20.20%	19.38%
10	CET1 Capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.38%	15.93%
11	Tier 1 capital (as a percentage of risk exposure amount	20.20%	19.38%
12	Tier 1 capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.38%	15.93%
13	Total capital (as a percentage of risk exposure amount)	24.05%	23.06%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.23%	19.61%
	Leverage Ratio		
15	Leverage ratio total exposure measure	2,444,955	2,809,165
16	Leverage ratio	7.35%	6.12%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.26%	5.09%

5.3 Capital Requirements

The Basel framework is structured around three pillars which govern minimum capital requirements, outline the supervisory review framework and promote market discipline through disclosure requirements.

a) **Pillar 1** sets out the minimum capital requirement that firms are required to meet for Credit, Market and Operational Risk.

b) The **Pillar 2** supervisory review process requires firms and supervisors to form a view on whether a firm should hold additional capital against risks not taken into account or not fully covered in Pillar 1 (e.g. interest rate risk in the banking book and pension risk); and factors external to the firm (e.g. economic cycle effects). To comply, institutions are required to develop adequate arrangements, strategies, processes and mechanisms, to maintain sound management and coverage of their risks, including maintenance of the prescribed capital under stress scenarios.

   Under Pillar 2 of the Basel III requirements, FBNBank UK has undertaken a self-assessment of its internal capital requirements as part of the ICAAP assessment. The amount of additional capital required is assessed by the PRA during its Supervisory Review and Evaluation Process (SREP).

c) **Pillar 3** - Under Pillar 3 of the Basel III requirements, the Bank is required to make certain disclosures on an individual basis to the market to encourage market transparency and discipline. The aim is to allow market participants to assess key pieces of information on the Bank's capital, risk exposures and risk assessment process. The disclosures, which are to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2), are to be made to the market for the benefit of the market.
   The Pillar 3 disclosures contained within this document have two principal purposes:
   (i) to meet the regulatory disclosure requirements under Part Eight of the CRR, supplemented by any specific additional requirements of the EU and the PRA; and
   (ii) to provide transparency and further useful information on the capital and risk profile of the Bank.

Pillar I

Pillar 1 requirements incorporate credit risk, operational risk, market risk and settlement risk. The RWAs and the minimum capital requirements are shown below. The table below shows the scope of assets under regulatory reporting.

Table 9 - EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk

Categories All values are in £000s	Carrying values of items			
	Values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Not subject to capital requirements or subject to deduction from capital
Assets				
Cash and balances at central banks	375,058	375,058		
Loans and advances to banks	402,025	402,025		
Debt Securities - Held for Trading	6,976	6,976		
Debt Securities - Held to Maturity	1,053,357	1,053,357		
Financial assets designated at fair value	26,455		26,455	
Loans and advances to customers	492,149	492,149		
Other assets and prepayments	1,802	1,802		
Property, plant and equiment	10,001	10,001		
Intangibles and Deferred Tax				27,203
Total	2,367,822	2,341,368	26,455	27,203

Table 10 - EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Category	Total	Subject to the credit risk framework	Subject to the CCR framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	2,341,368	2,341,368	
4	Off-balance-sheet amounts	154,266	154,266	
9	PFE-Derivatives	26,455		26,455
10	Exposure amounts considered for regulatory purposes	2,522,089	154,266	26,455

Risk Weighted Assets

Under Pillar 1, the Bank is required to maintain a minimum level of regulatory capital to cover for different types of risk mentioned above.

Table 11 - EU OV1 – Overview of RWAs

		RWAs		Minimum capital requirements
		2020 £'000	2019 £'000	2020 £'000
1	Credit risk (excluding CCR)	763,085	770,159	61,047
2	Of which the standardised approach	763,085	770,159	61,047
6	CCR	10,015	3,720	801
7	Of which mark to market	10,015	3,720	801
12	Of which CVA	1,406	448	112
13	Settlement risk	-	6	
19	Market risk	13,503	11,002	1,080
20	Of which the standardised approach	13,503	11,002	1,080
23	Operational risk	110,909	105,087	8,873
24	Of which basic indicator approach	110,909	105,087	8,873
29	Total	898,917	890,423	71,913

The following sections describe the methodologies and approaches used to calculate the RWAs.

Standardised Approach for Credit risk

Regulatory capital requirements are calculated by multiplying the value of the Bank's exposure after netting off collaterals and other credit mitigating factors by an appropriate risk weight. The minimum capital requirement for credit risk is 8% of the RWAs.

The Bank's minimum capital requirements are calculated by applying credit risk weightings to the risk weighted assets. The credit risk weightings are determined by the "Standardised Approach" as set out in the CRR.

For the exposure classes list below, the Bank is required to use ECAIs to assign exposures to credit quality steps.

- Central Government and Central Banks
- Multilateral Development Banks
- Institutions
- Corporates
- Other items

The Bank uses Fitch, Moody's and Standard & Poor as its nominated External Credit Assessment Institutions (ECAI) for all standardised counterparty credit risk exposure classes which use external ratings.

For other types of exposures, the risk weights and off are prescribed in the CRR. In addition, for off-balance sheet exposures credit conversion factors (CCFs) are applied to the exposure prior to the application of the risk weights. The CCFs are also prescribed by the CRR.

Table 12 - EU CR5 – Standardised approach – Exposure by asset classes and risk weights

		Risk Weight £000's							Total	Of which unrated
	Exposure class	0%	20%	35%	50%	75%	100%	150%		
1	Central governments or central banks	949,496					20,103		969,599	
4	Multilateral development banks	372,952			16,463		15,038		404,453	
5	International organisations								-	
6	Institutions		59,548		3,229				62,777	
7	Corporates				24,208		351,578	168,954	544,740	46,660
8	Retail					2,279			2,279	2,279
9	Secured by mortgages on immovable property			90,199			1,697		91,896	91,896
10	Exposures in default							28,267	28,267	28,267
16	Other items	302,686					11,802		314,489	314,489
17	**Total**	**1,625,135**	**59,548**	**90,199**	**43,900**	**2,279**	**400,219**	**197,221**	**2,418,501**	**483,591**

* Exposures are net of CRM and Credit Conversion Factors
* Exposures assessed under counterparty credit risk are excluded from this schedule

Credit Risk Mitigation (CRM)

The Bank uses various techniques to reduce the credit risk of its lending. These include both funded and unfunded guarantees e.g. the receipt of collateral for the facility advanced, structuring transactions to bring the underlying commodity effectively under the control of the Bank, sell down i.e. sharing the risk by sale to a third party, and property collateral. The Bank does not use credit derivatives. The table below shows the use of CRM, broken down by loans and debt securities.

Table 13: EU CR3 – CRM techniques – Overview

	Category All values in £000s	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	1,014,053	266,982	241,588	25,393	
2	Total debt securities	1,060,333	-	-	-	
3	**Total exposures**	**2,074,386**	**266,982**	**241,588**	**25,393**	
4	Of which defaulted	28,267	-	-	-	

* This table only includes on balance sheet exposures

FBNBank UK does not have any exposures to credit derivatives.

The table below shows the impact of credit risk mitigation on the final exposure used for the RWA calculation.

Table 14 - EU CR4 – Standardised approach – Credit risk exposure and CRM effects

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure class	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	RWAs	RWA density
1	Central governments or central banks	1,049,244		969,599		20,103	2%
4	Multilateral development banks	402,725		404,453		23,270	6%
4	Institutions	61,368		62,777		13,524	22%
7	Corporates	847,990		544,740		617,112	73%
8	Retail	2,279		2,279		1,709	75%
9	Secured by mortgages on immovable property		91,896		91,896	33,163	36%
10	Exposures in default	28,267		28,267		42,401	150%
16	Other items	11,865		314,489		11,802	99%
17	**Total**	**2,403,738**	**91,896**	**2,326,605**	**91,896**	**763,085**	

• Exposures are gross exposures before the application of CRM and credit conversion factors

• Exposures assessed under counterparty credit risk are excluded from this schedule

Exposures include both on and off- balance items after the application of off-balance sheet credit conversion factors

Counterparty Credit Risk

The Bank uses the mark to market approach to assessment of counterparty credit risk capital requirements for foreign currency spots, forwards and swaps. Under Pillar 1, the capital requirement is based on 8% of their calculated future credit.

Table 15 - EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

		Risk Weight							Total	Of which unrated
	Exposure class	0%	20%	35%	50%	75%	100%	150%		
6	Institutions		13,930		11,557				25,488	
7	Corporates							967	967	
11	**Total**	-	**13,930**	-	**11,557**	-	-	**967**	**26,455**	

• Exposures are derivative exposures under the mark to market approach.

Operational Risk

The Bank uses the basic indicator approach for operational risk, whereby regulatory capital is calculated by taking a single risk-weighted multiple (15%) of the Bank's average gross operating income, averaged over the three previous financial years.

Market risk

Market risk is calculated for foreign currency position risk using the standardised approach and calculated as 8% of the net open currency position.

Table 16 - EU MR1 – Market risk under the standardised approach

	Exposure class	RWAs	Capital
3	Foreign exchange risk	13,503	1,080

Credit Valuation Adjustment (CVA)

CVA covers the risk of potential mark-to-market losses associated with deterioration in the creditworthiness of counterparties to non-cleared derivatives e.g. swaps, forwards and non-deliverable forwards.

Settlement risk:

Settlement risk is the risk that a counterparty fails to deliver a security or its value in cash in accordance with contractual agreements after the Bank has already delivered a security or cash value in accordance with the same agreement. There was no exposure at 31 December 2020, however the Bank checks for exposure whenever it calculates the capital requirements.

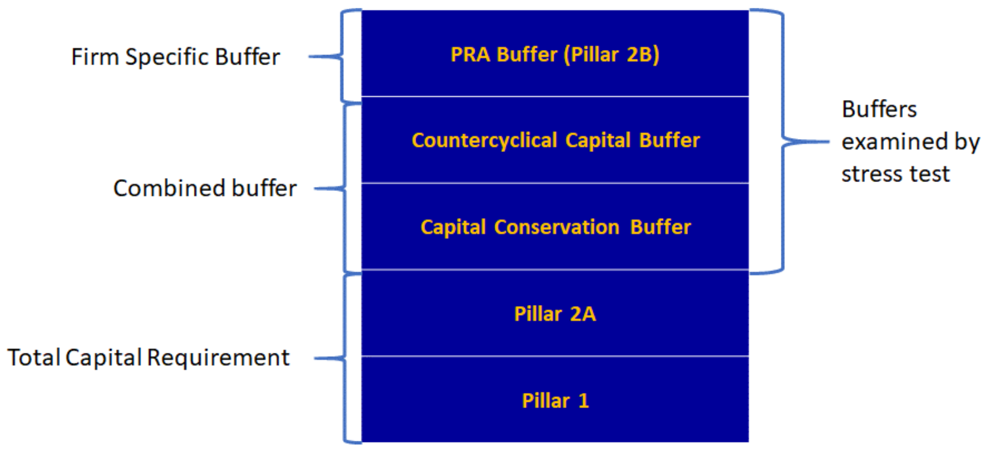
Pillar 2A
The Pillar 1 capital requirement covers credit risk in accordance with CRR. However, there are asset classes for which the standardised approach may result in underestimation of risk (e.g. 0% risk-weighted sovereigns, concentration risk and interest rate risk in the banking book). The PRA, therefore, assesses credit risk as part of its Pillar 2 review of the firm's capital adequacy and the Bank during the SREP process and the Bank is is required to hold a 'bank specific add-on' for pillar 2A. The total Pillar 1 and Pillar 2A capital required is termed the Total Capital Requirement (TCR). The Bank is expected to meet its TCR (regulatory minimum) under all conditions.

PRA Buffer
The PRA also set a PRA buffer. The PRA buffer (also referred to as Pillar 2B) is an amount of capital firms should maintain in addition to their TCR and the combined buffer. The PRA buffer absorbs losses that may arise under a severe stress scenario, while avoiding duplication with the combined buffers.

Capital Conservation Buffer
Under CRDIV, a capital conservation buffer is required, which is designed to absorb losses during periods of economic stress. At 31 December 2020, the capital conservation buffer is 2.5%.

Counter Cyclical Buffer Disclosures
Financial institutions are required to hold additional capital to prevent the build-up of systemic risk during periods of high credit growth as a disincentive to growth and to create additional loss absorption capability. The overall rate is weighted by the country of the exposure. Most of the Bank's exposures are not UK or European based and these do not receive a weighting. The Financial Policy Committee at the Bank of England sets the applicable rate for credit exposures in the UK. On 11 March 2020, the buffer was reduced from 1% down 0% to support banks during the COVID pandemic. This resulted in an overall 0% requirement for December 2020 and a 0.06% requirement in 2019. The UK rate is expected to be increased during the next two years as the economy emerges from the impact of the pandemic.

PRA and Combined buffers
These buffers may be used either immediately or in future to withstand the impact of a severe but plausible stress.



The Bank has to follow rules in determining how to meet the capital requirements from its capital resources. At least 75% of the TCR must be met from a CET1 capital.

The CET 1 minimum capital requirement and Combined buffer should be maintained from the Bank's tier 1 capital resources.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

Under the Bank Recovery and Resolution Directive (BRRD) the Bank of England as resolution authority has set also set a minimum capital requirement to meet the requirement for MREL. The requirement for this is to hold sufficient MREL equal to the capital requirements (comprising pillar 1 and Pillar 2A). For MREL purposes the CET1 should be used firstly for the buffers and secondly for the pillar 1 and 2A.

5.4 Leverage Ratio

The leverage ratio was introduced under the Basel III reforms as a simple, transparent, non-risk-based ratio intended to restrict the build-up of leverage in the banking sector to avoid a distressed deleveraging process that can damage the broader financial system.

The Bank has a leverage ratio of 7.35% at 31 December 2020, which is disclosed on an IFRS 9 transitional basis. The leverage ratio has remained relatively stable throughout the year with no significant movements. The Bank maintains a ratio well above the regulatory requirement is 3%.

Details of the components of the leverage ratio calculation as required to be disclosed by Article 451 of the CRR and which are applicable for the Bank are given in the following table.

Table 17 - LRCom: Leverage ratio common disclosure

On-balance sheet exposures (excluding derivatives and SFTs)		£'000
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,368,598
2	(Asset amounts deducted in determining Tier 1 capital)	(1,906)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	2,366,691
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	22,142
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	4,312
EU-5a	Exposure determined under Original Exposure Method	
11	**Total derivatives exposures (sum of lines 4 to 10)**	26,455
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	154,266
18	(Adjustments for conversion to credit equivalent amounts)	(77,133)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	77,133
Capital and total exposure measure		
20	Tier 1 capital	181,579
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	2,470,279
Leverage ratio		
22	Leverage ratio	7.35%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

CRR Leverage		£'000
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,368,598
EU-5	Exposures treated as sovereigns	969,599
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	402,725
EU-7	Institutions	62,723
EU-8	Secured by mortgages of immovable properties	91,896
EU-9	Retail exposures	2,279
EU-10	Corporate	530,426
EU-11	Exposures in default	28,267
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	280,683

During 2020, the on-balance sheet exposure reduced by £284m or 11% as the Bank reduces its investment securities portfolio to match the decline in wholesale call deposits.

In preventing excess leverage, the Bank uses a range of scenarios when stress testing to consider the risk that could occur should there be a reduction in the Bank's own funds.

6 Credit Risk & Impairment

The performance of loan assets is monitored monthly. Late payments and arrears cases are reported in detail and reviewed on a regular basis, and detailed reports are reviewed monthly by the Executive Credit Committee (ECC).

Impairment provision

The IFRS 9 framework requires the Bank to record impairment provisions for Expected Credit Losses (ECL) for all loans and debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Impairment provisions are based on lifetime expected credit losses for defaulted or non-performing loans and 12 month expected credit losses (ECL) for performing (stage 1 and stage 2 loans).

The governance around the ECL model in FBNBank UK is controlled by impairment methodology and accounting policies. The approach defines the likely events that could lead to a significant increase in credit risk, the definition of default, the modification and derecognition of exposures and the period over which to estimate the ECL. Each section details the requirements as set by the standard, applicable guidance on its interpretation and the approach to be implemented by the bank.

The Bank incorporates forward-looking information in its ECL model to account for changes in macro-economic conditions and forecasts through consideration of three discrete scenarios (Upturn, Base and Downturn).

IFRS staging definitions

Stage	Description	Accounting implication
Stage 1	No significant changes in the credit quality of the exposure since initial recognition	• 12-month expected credit losses • Interest recognition based on gross carrying amount
Stage 2	The credit risk of the exposure has increased significantly since initial recognition	• Lifetime expected credit losses • Interest recognition based on gross carrying amount
Stage 3	The credit risk of the exposure has increased significantly since initial recognition and there is objective evidence of impairment	• Lifetime expected credit losses • Interest recognition based on net carrying amount

Definition of default

A facility is considered in 'default' under IFRS 9 when:

1. the facility is 90 DPD days past due, or
2. the Bank considers that the borrower is 'unlikely to pay' the facility without recourse by the Bank to actions such as realising the security (if held).

The Bank assesses it's impairment provision using IFRS 9 and provision levels are reviewed monthly to ensure that the coverage is sufficient to cover anticipated credit losses and economic deterioration. The segmentation of the portfolio for modelling purposes is based on FBNBank UK's current exposure profile and portfolio characteristics. A range of scenarios are used to assess the appropriate level of impairment provision. The range of macro-economic assumptions driving the models reflect the characteristics of the Bank's portfolios such as Nigerian Banking Sector NPLs (Non-Performing Loans), the mortgage arrears stock of the UK, movements in the oil prices, interest rates (Libor), HPI (UK) and GDP (UK and World).

The following table shows the allowances for impaired exposures by financial statement categories at 31st December 2020.

Table 18 - EU CR1-A – Credit quality of exposures by exposure class and instrument

	Exposures class	Net Exposure Value		Specific credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (A+b-c)
		Defaulted exposures (a)	Non-defaulted exposures (b)				
		£000s	£000s	£000s	£000s	£000s	£000s
16	Central governments or central banks		1,049,244	151		86	1,049,093
19	Multilateral development banks		402,725	87		(19)	402,638
20	International organisations		-				-
21	Institutions		86,856	5		(36)	86,851
22	Corporates	20,889	848,956	10,046	371,692	15,521	838,911
23	Of which SME		22,505				22,505
24	Retail	3	2,279	40		18	2,239
26	Secured by real estate property	7,374	91,896	139		76	91,757
27	Of which SME		2,092				2,092
28	Exposures in default	28,267		8,031		2,077	20,236
34	Other Exposures		11,865	-			11,865
35	**Total standardised approach**	**28,267**	**2,493,822**	**18,499**	**371,692**	**17,724**	**2,503,590**
36	**Total**	**28,267**	**2,493,822**	**18,499**	**371,692**	**17,724**	**2,503,590**

* In calculating RWAs, provisions are not netted off the exposures, due to IFRS 9 transitional requirements.
* Post write off recoveries are netted off write offs.

The Bank continues to refine its approach to managing credit risk

Table 19 - Credit quality of performing and non-performing exposures by past due days

	Exposure class / Amounts are in £000s	Gross carrying amount/nominal value								
		Performing Exposures			Non-performing exposures					
			Not past due or past due ≤ 30 days	Not past due > 30 days ≤ 90 days		Unlikely to pay that are not past or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Of which defaulted
1	**Loans and Advances**	**1,240,903**	**888,878**	**352,025**	**28,267**	**810**	**1,792**	**23,357**	**2,308**	**28,267**
2	Central banks	374,996	374,996							
3	General governments									
4	Credit institutions	28,817	28,817							
5	Other financial corporations				27,592	810	1,253	23,221	2,308	27,592
6	Non-financial corporation	769,381	417,356	352,025						
7	Of Which SMEs									
8	Households	67,709	67,709		676		539	136		676
9	**Debt securities**	**1,060,333**								
10	Central banks	594,603								
11	General governments									
12	Credit institutions	32,442								
13	Other financial corporation	402,725								
14	Non-financial corporation	30,563								
15	**Off Balance Sheet Exposures**	154,266								
16	Central banks	79,645								
17	General governments	-								
18	Credit institutions	110								
19	Other financial corporation	74,512								
20	Non-financial corporation	-								
21	Households	-								
22	**Total**	**2,455,502**	**888,878**	**352,025**	**28,267**	**810**	**1,792**	**23,357**	**2,308**	**28,267**

* This table excludes other assets and derivatives

The Bank grants forbearance where the customer is facing financial difficulties or is about to face financial difficulties. Forbearance is defined as a concessionary arrangement either through a change to the terms and conditions of the loan, or a refinance of the loan to achieve the best outcome for both the customer and the Bank. COVID-19 has had an impact on the level of forbearance granted by the Bank, mainly on the mortgage portfolio.

Table 20 - Credit quality of forborne exposures

	Exposure class All values in £000s	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing Forborne	Non-Performing Forborne			On performing forborne exposures	On non performing forborne exposures		Of which collateral and financial guarantees received on NPEs
				Of which defaulted	Of which impaired				
1	**Loans and Advances**	**64,464**	**23,508**	**23,508**	**-**	**3,697**	**7,339**	**23,930**	**-**
2	Central banks								
3	General governments								
4	Credit institutions	634				1			
5	Other financial corporations								
6	Non-financial corporation	60,779	23,508	23,508		3,693	7,339	23,930	
7	Households	3,051				3			
8	Debt securities								
9	Loan commitments given								
10	**Total**	**128,928**	**47,017**	**47,017**	**-**	**7,393**	**14,678**	**47,859**	**-**

7 Asset Encumbrance

An asset is treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collaterise or credit enhance any transaction from which it cannot be freely withdrawn. It enables creditors holding those claims to benefit from the economic value of the assets should the institution fail to meet its obligations.

The Bank's activities result in certain assets being provided as collateral and therefore the £1.4m of encumbrance, on £2.5bn of exposures, is limited to the variation margin on forward contract derivatives and a deposit covering credit card balances.

8 Remuneration

The Bank sees its investment in its people as paramount. The Bank recognises and acknowledges the contribution of its people to the achievement of the overall corporate goals and objectives. We are focused on maintaining a culture of doing the right thing every day for our customers, shareholders and the communities in which we do business. We do this by seeking to live up to our corporate values of integrity, collaboration, accountability, respect and ethical behaviour, and an approach that rewards performance on a balanced range of dimensions.

For the year ended 2020, the current remuneration guidance for the Bank is based on the PRA Rulebook, the PRA Supervisory Statement – SS2/17 on Remuneration as updated in December 2020, SYSC 19D and the FCA statement on dual regulated firms. Disclosures are required in line with Article 450 of the CRR as interpreted by the EBA Guidelines on disclosures. This statement sets out the disclosures required as they apply to FBNBank UK.

The Board Remuneration and Establishment Committee (BREC) is responsible for the implementation of the Remuneration Code (as set out by the FCA and PRA) and the periodic review of the Bank's adherence to it.

Governance of all matters related to remuneration within the Bank lies with BREC for the employees, the Executive and the Directors of the Board. BREC comprises of 3 Non-Executive Directors. The Chief Executive Officer and the Head of Human Resources attend by invitation. The Non-Executive Directors are regarded as being independent of the Bank and possess the necessary skills to exercise the appropriate judgement.

BREC is continually reviewing the Bank's remuneration policies to ensure compliance with the Code. Additionally, it has confirmed the rules for use within the Bank for the identification of Code Staff and ratified the 2020 Code Staff list.

The Bank has in place a discretionary bonus plan for the benefit of its employees. This plan is reviewed and updated annually with the key principles of reinforcing our values and appropriate employee behaviour to help manage risk, reinforcing a strong performance culture and encourage individual accountability as part of collective contribution to the Bank's long-term success and help attract and retain valued employees as part of a market competitive reward package. For Material Risk Takers, the Bank has gone one step further, although not required to do so under the Remuneration Code in the 2020 year, to introduce an element of deferral into the bonus plan to reflect our core principles and ethics.

Bonus awards under the scheme qualify as "variable remuneration" as defined in the Code. In the year ended 2020, the Bank achieved a profit and therefore bonus funding was available and has been distributed according to rules approved by BREC. Guaranteed bonuses are not offered as part of the Bank's current discretionary bonus arrangements.

For 2020, the Board also approved discretionary 'Long Term Incentive Plans' for senior employees of the Bank and complies with the regulatory remuneration code. BREC has determined that these should vest after three years, subject to performance conditions being met.

The Code requires that banks identify relevant senior and key roles and designate them as "Code Staff/Material Risk Takers". 33 staff at the end of 2020 were identified as Code Staff/Material Risk Takers and this included 2 Executive Directors, 6 Non-Executive Directors, members of the Executive Management Committee and those individuals who were either in FCA Investment advisory roles or roles identified as appropriate under the PRA and FCA guidelines for Material Risk Takers. 40% of the bonus awarded was deferred to future years and are subject to malus and clawback.

Remuneration for staff in control functions is independent to that of staff in the business units and is reviewed by BREC.

FBNBank UK does not have any staff whose remuneration is more than €1m and qualify as high earners. Therefore table 35 is not disclosed. The COR015 (remuneration benchmarking return) will replace the High Earners return for 2021.

Going forward, FBNBank UK is monitoring closely any future developments in regulatory changes and will respond accordingly to ensure compliance and best practice. In particular, the Bank will ensure compliance with the changes to Remuneration regulation imposed by CRD V.

The table below analyses the remuneration of the Material Risk Takers in accordance with clause (h) of CRR Article 450.

Table 32: Remuneration for material risk takers

The disclosures items below relate to awards relating to the year 2020 but not necessarily paid in the year.

	Business	Support	Total
No of material risk takers	6	30	36
Year Ending 31/12/2020	**£000s**	**£000s**	**£000s**
Total fixed remuneration	1,055	3,783	4,839
Variable remuneration (cash)	175	598	773

Remuneration deferred to future years	91	420	511
Deferred remuneration from previous years	0	0	0
Long term incentive plan deferred to future years			411
Long term incentive plan payments relating to prior years	0	0	0
Discretionary Pension contributions	68	269	337
Total	**1,389**	**5,070**	**6,871**

Table 33: Retention Awards to staff

This table shows retention awards to material risk takers whose professional activities have a material impact on institutions' risk profile.

Category	£000
Retention awards deferred to future years	113
No of beneficiaries	7