FirstBank UK Limited

Pillar 3 Disclosures

As at 31st December 2022

Version 1.0

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Prepared by: Regulatory Reporting Team

Revision History

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Document Control

Issued under the authority of the Chief Executive Officer to the following:

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.
Bank	FBN Bank (UK) Limited
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 the capital adequacy of banks.
Basel III	Basel III is an international regulatory accord that introduced a set of reforms designed to improve 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 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 this 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, and which reflects Basel III rules on capital measurement and capital standards.
Combined Buffer	The aggregate of the Capital Conservation Buffer and the Counter-Cyclical Buffer
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 may 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 financial performance.
Derivatives	Financial instruments whose value is based on the performance of one or more underlying assets.
EBA	The European Banking Authority, a regulatory agency of the European Union.
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
External credit assessment institutions (ECAIs)	These include external credit rating agencies such as Standard & Poor’s, Moody’s and Fitch.
FirstBank	First Bank of Nigeria Ltd, FirstBank UK’s parent.
FirstBank UK	Formerly FBN Bank (UK) Limited.
FCA	The Financial Conduct Authority, which is the regulatory authority responsible for consumer protection and markets that has, inter alia, taken over responsibility from the Financial Services Authority for supervising conduct of business by the financial services industry in the UK.
FX	Foreign exchange.

Funding Risk	The risk that an institution does not have sufficiently stable and diverse sources of funding.
ICG	Individual Capital Guidance, being 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)	An 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 being the 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 an institution has insufficient cash resources to meet its obligations as they fall due or can 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, being the likelihood that a credit obligor will default.
PFE	Potential Future Exposure, calculated by multiplying notional amounts or underlying reference asset values as applicable by percentages in tables in the CRR and according to principles in the 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	A Periodic Summary Meeting which 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 12th July 2022.
PRA	The Prudential Regulatory Authority, which is 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 the 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)	The value of an exposure calculated by assigning a degree of risk expressed as a percentage (risk weight) 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	The Supervisory Review and Evaluation Process sets out the factors that the PRA takes into consideration in assessing a firm's ICAAP, including the setting of firm-specific capital requirements and the PRA buffer. The Bank's latest Capital-SREP was dated 21st August 2021.
Stress testing	The term used to describe techniques where plausible events are considered as vulnerabilities to ascertain how these should be taken into account in 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 the capital requirements in respect of Market Risk and Operational Risk.
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

FirstBank UK Limited ("FirstBank UK" or "the Bank") is a subsidiary of First Bank of Nigeria Limited (FirstBank). FirstBank 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.

Our vision is to become the number one bank for cross-border Europe-Nigeria trade, and a top five bank for Europe-Africa trade. We build our reputation on a highly personalised client service, an unparalleled expertise in Nigeria and other African markets, and robust compliance and governance that takes a long-term view of our clients' and our own businesses.

The Bank is an ultimate subsidiary of FBN Holdings Plc, a publicly listed entity on the Nigerian Stock Exchange. FirstBank UK's immediate majority shareholder is FirstBank. FirstBank has had 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. FirstBank 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.

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, unless otherwise stated, and should be read in conjunction with the Bank's 2022 Annual Report and Financial Statements.

As at 31 December 2022, the Bank's reporting and functional currency was GBP. From 1 January 2023, it has changed to USD, which reduces exchange rate risk.

1.2 Basis and Scope of Disclosures

Disclosure forms part of the Three Pillars of the Basel Accords issued by the Basel Committee on Banking Supervision (BCBS). The Basel Accords have been enacted through the Capital Requirements Regulation (CRR) as updated by the PRA CCR and the Capital Requirements Directive (CRD) adopted into UK law to which FirstBank 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 in a number of other EU regulations and guidelines. In the UK, the CRR and other regulations have been incorporated into UK Law. As at 31 December 2022, the

disclosures requirements are laid down in the PRA Rulebook, based on CRR. The UK standards are closely aligned with the global BCBS standards and the European CRR standards.
The Bank is required to make certain disclosures to the market on an individual basis 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 and has provided disclosures in line with its classification as an 'Other' Institution (neither large nor small and non-complex) and non-listed status.

1.3 Frequency and Location

The Bank's Pillar 3 report is prepared annually in accordance with the PRA CRR 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 31December 2022, unless otherwise stated. The Pillar 3 report is published on the Bank's website: www.FirstBank.co.uk

1.4 Governance: Policy, Review and Approval

FirstBank UK has a formal policy on Pillar 3 disclosures with the aim of defining requirements, elaboration process, frequency and associated governance in accordance with the Directive 2013/36/EU, Regulation (EU) no. 2019/876 of 20 May 2019 (the EU Regulation or CRR2) amending Regulation (EU) no. 575/2013 and the PRA Rulebook.

This policy has been prepared in compliance with the criteria established in the Guidelines on Materiality, Proprietary, Confidentiality and Frequency of the Information by European Banking Authority in accordance with Article 432, sections 1 and 2 and Article 433 of Regulation (EU) 575/2013.

The disclosures have been subject to internal verification and review by the Audit Committee on behalf of the Board on 28 April 2023 but have not been, and are not required to be, subject to independent external audit.

The board of directors of FirstBank UK certifies that the publication of the Pillar 3 disclosures report is compliant with the guidelines in Part Eight of Regulation (EU) 575/2013 and consistent with the "Pillar 3 Disclosures Policy" adopted by the board of directors.

2 Operating Environment

The world economy grew by an estimated 3.4% in 2022 according to the IMF, compared with 6.2% the previous year in a bounce-back due to the lifting of most COVID restrictions. Once again, growth in the advanced economies (2.7%) lagged that in emerging market and developing economies (EMDEs; 3.9%). The highest performance improvement was led by India (6.8%) and Middle East/Central Asia (5.3%), rather than sub-Saharan Africa (3.8%).

Last year's slowdown in growth has well-documented reasons (the war in Ukraine and COVID), both of which will have a continuing impact this year. The pandemic has weakened although its side-effects such as the disruption to global supply chains are still present. Nobody can predict when the Russian/Ukraine conflict will end or the final cost.

Monetary policy in advanced economies is turning as central banks consider smaller rate hikes and thereafter a halt to tightening. Consumer price inflation has peaked in the US, the Eurozone and the UK. In Emerging Markets and Developing Economies ('EMDEs'), the shift is set to occur later. In Nigeria, inflation remains stubbornly high, and the monetary policy committee hiked its benchmark rate by six percentage points (600 basis points) between April 2022 and January 2023.

The Bank continued its remote working arrangements throughout 2022. This hybrid regime may prove to be the appropriate balance for the future although the Bank can always revise its policy in line with the best interests of its staff and customers, if circumstances require a change.

The Bank has complied with the new requirements for operational resilience that the Prudential Regulation Authority ('PRA') set for introduction by the end of March 2022.

The Bank continues to enhance its Climate Change Risk Framework, considering all areas of the business. In its drive towards environmental sustainability, the Bank has reduced its direct carbon emission from energy consumption by migrating a number of the physical storage servers to cloud storage and the deployment of energy efficient laptops to all employees. The Bank is considering how to prioritise lending activities to environmentally sustainable partners and the setting of limits through the Climate Change Risk Framework.

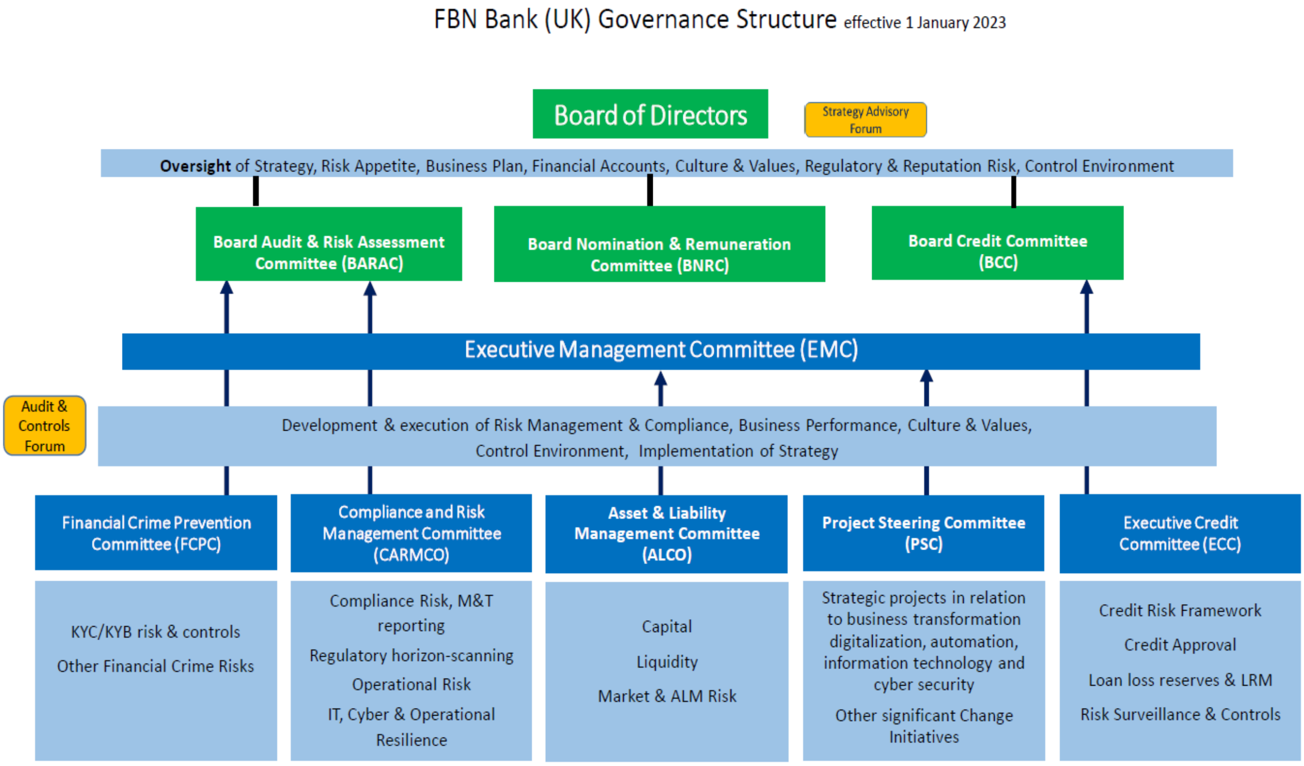
The Bank assesses its key sensitivity affecting current and future performance to be expected credit losses (ECLs) arising from customer lending, through stress testing. Macroeconomic variables, such as global output contraction, drops in oil prices, zero to negative interest rates, and sharp falls in the residential property index are considered. In both the stress testing and the annual going concern assessment (in the Annual Report and Financial Statements). the Bank estimates the potential impact on credit risk, counterparty risk and ECLs by assuming a several notch downgrade on the Bank's asset portfolio to account for stress caused by the macroeconomic variables. Under these stress scenarios there would be an increase in expected credit loss provisions. The results from these assessments, 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 would be able to restore its capital by taking appropriate management action to reduce balance sheet growth by reducing lending, which in turn would reduce capital requirements.

3 Risk Management and Governance

The Board of Directors of the Bank is responsible for determining the applicable framework for risk management and control, approval of policies and governance terms of reference. The Board is ultimatelNy 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 as at 31 December 2022 included four Independent Non-Executive Directors, two Non-Executive Directors and three 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 by the Board to the Bank's Executive Management Committee, which comprises the Chief Executive Officer, Executive Director, Business Development, Executive Director/Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Head of Compliance and Money Laundering Reporting Officer. It is advised by the General Counsel and the Head of Human Resources, who attend its 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 Management 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 in the table below:

Constitution and Responsibilities of Board and Management Committees			
Committee	**Voting Members**	**Responsibilities**	**Frequency of Meetings**
Board Audit & Risk Assessment Committee (BARAC)	Independent Non-Exec Director (Chair) 1 Independent Non-Exec. Director 1 Non-Executive Director	BARAC is a standing Board Committee comprising Non-Executive Directors of the Bank set up to assist the Board in discharging responsibilities relating to the Bank's risk management, accounting policies, internal control systems and procedures, financial reporting and to liaise with the Bank's regulators and internal auditors.	Minimum Quarterly
Board Credit Committee (BCC)	Independent Non-Executive Director (Chair) 1 Independent Non-Exec. Director 1 Non-Executive Director	BCC is a standing Board Committee whose objective is to assist the Board in discharging its responsibilities relating to the periodic consideration and approval of credit applications and other related credit risk policies, ensuring consistency with guidelines and established limits. Makes credit decisions within its delegated level of authority.	Minimum Quarterly
Board Nomination & Remuneration Committee (BNRC)	Independent Non-Executive Director (Chair) 1 Independent Non-Exec. Director 1 Non-Executive Directors	BNRC is a standing Board Committee whose objective is to assist the Board in discharging its responsibilities in respect of remuneration, capital expenditure, infrastructure and HR requirements on a periodic basis; and relating to the nomination of executive directors and consultants to the Board and to enhance the Bank's governance through a continuing assessment of the Bank's approach to corporate governance. It will ensure availability of resources consistent with current scope and future growth projections.	Minimum Quarterly

Executive Management Committees

Executive Management Committee (EMC)	CEO (Chair) (EDBD) ED/CFO CRO COO Head of Compliance & MLRO	EMC is accountable for implementing 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.	Minimum Monthly
Asset & Liability Committee (ALCO)	CEO (Chair) ED/CFO EDBD CRO Head of Finance Head of Treasury	ALCO has overall responsibility for managing the Bank's balance sheet within the defined risk/return preferences set by the Board. It will provide the Bank with the ability to continuously assess current asset and liability management direction and balance sheet structure.	Monthly

Constitution and Responsibilities of Board and Management Committees			
Committee	**Voting Members**	**Responsibilities**	**Frequency of Meetings**
Compliance and Risk Management Committee (CARMCO)	CRO (Co-Chair) Head of Compliance (Co-Chairs, CEO COO EDBD Head of Financial Crime Risk (Deputy MLRO) Head of Operational Risk Head of Governance & Internal Controls;	CARMCO has general risk and control responsibilities across all risk domains excluding credit; market; liquidity and capital risk related issues. Duties include to protect the Bank from reputational damage, financial loss or regulatory penalties by ensuring appropriate conduct by all employees with the interests of the client and market integrity; and a robust financial crime prevention, in particular money laundering, terrorist financing, bribery and corruption, sanctions violations.	Monthly
Executive Credit Committee (ECC)	CEO (Chair) CRO ED/CFO EDBD Head of Credit Analysis Head of Credit Monitoring & Control	ECC reviews sanctions or declines credit applications within its level of authority. Makes recommendations to the BCC and Board.	Weekly or as necessary
Project Steering Committee (PSC)	COO Director of Strategy Head of BTO Head of Operational Risk Head of IT Head of Finance Head of Operations	PSC has responsibility for bringing to fruition Strategic projects in relation to business transformation digitalization, automation, information technology and cyber security plus other significant Change Initiatives.	Monthly
Financial Crime Prevention Committee (FCPC)	EDBD (Chair) CEO Head of Compliance & MLRO or designate Head of Financial Crime Risk (Deputy MLRO)	FCPC is an ad-hoc committee set up to provide a dedicated governance forum for the assessment of Financial Crime risks while ensuring the quality of the assessment process and effectiveness of controls to mitigate risks.	Fortnightly or as necessary

3.2 Board of Directors

The Board of Directors of the Bank has the ultimate responsibility of ensuring that the Bank's capital and liquidity adequacy.

The Board of the Bank incorporates a wide range of experience and diversity to ensure that the appropriate level of expertise and knowledge is applied to the Bank's management. The Board have a key function of oversight and of challenging the Bank's executive management, to ensure effective decision making and ensure that the best interests of all stakeholders are met.

The Board, as at 31 December 2022, composes of a Non-Executive Chairman, five Non-Executive Directors, the Chief Executive Officer, the Chief Financial Officer and the Executive Director Business Development.

Name	Role	No of Directorships
Mr. Jeremy Patrick Stewart Crawford CB	Interim Chairman SMF9	4
Mr. Andrew Alli	Independent Non-Executive Director	4
Ms. Mfon Akpan	Independent Non-Executive Director	2
Mr. Geoffrey Scott Russell	Independent Non-Executive Director	4
Dr Adesola Kazeem Adeduntan	Non-Executive Director	2
Mr. Oluwatosin Adewuyi	Non-Executive Director	2
Samuel Oladipupo Aiyere	Chief Executive Officer	3
Olalekan Adelekan	Executive Director Business Development	2
David Tunde Davis	Executive Director, Chief Financial Officer	3
Mr. Barry Taleghany	Company Secretary	-

3.3 Other Governance Tools

Three Lines of Defence Model

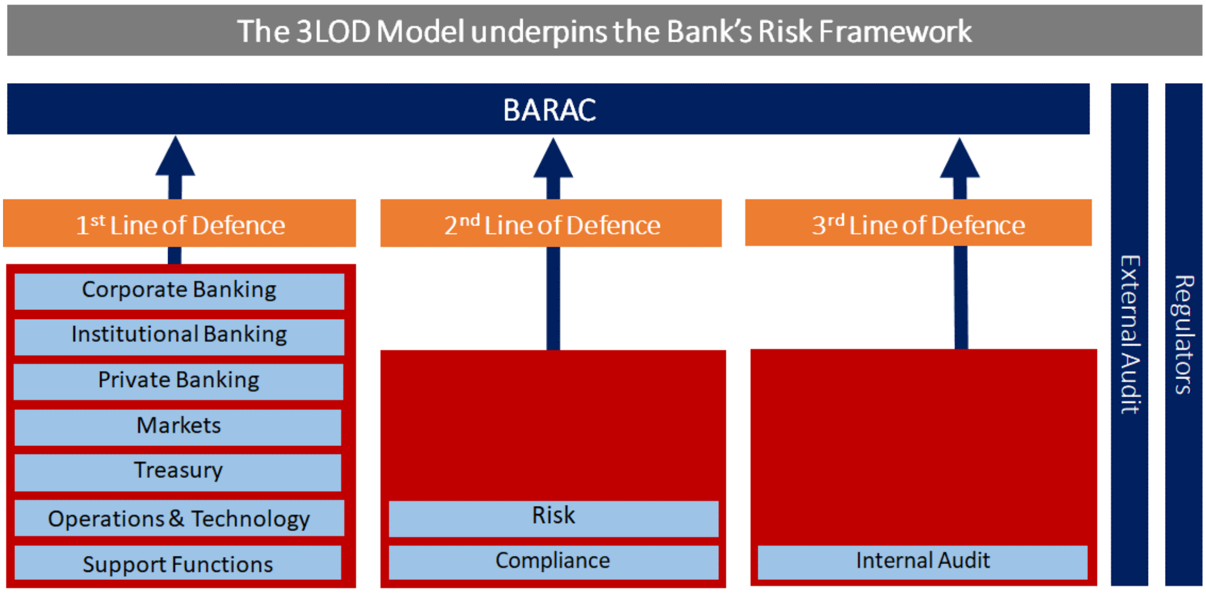
FirstBank UK recognises and promotes the importance of internal controls in accordance with the practice of the 'three lines of defence' model including the business unit, oversight unit and audit units. These three units work together as follows:

a) Business/functional unit (first line of defence): The Business unit has ownership, and accountability for risks and controls and is responsible for identifying and managing risk. There is an internal 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, supported by their staff, 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 future prospects.

The Board determines the overall risk strategy for the Bank. The Bank's risk appetite is set out in its Risk Appetite Statement (RAS). This articulates the nature and extent of the material risks that the Bank is prepared to accept in order to meet its strategic objectives, business plan and regulatory obligations. These parameters are applied in setting the strategic plan, business plan and budgets.

The main risks arising from FirstBank UK's financial instruments are credit risk, market risk and liquidity risk. Market risk includes interest rate risk and foreign currency risk. Apart from these risks, the Bank is also exposed to such other risks as Legal risk, Regulatory risk, Conduct risk, and financial risk from climate change.

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

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 the Bank's lending, trade finance and treasury activities. Internal controls are in place within FirstBank 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 FirstBank UK are trade finance-related, within which transactions tend to be short-term, 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, including the continuing impact of the Russia/Ukraine war and oil prices.

The Bank reviews it's risk appetite annually, or more frequently if changing environments trigger a review. Our focus remains on delivering a prudent and effective response to the challenges arising, including tightening and strengthening credit processes, and enhancing credit monitoring whilst adhering to regulatory directives.

The Bank continues to place emphasis on strengthening its credit risk architecture and framework to enhance our pro-activeness in the detection of early warning signals, and in surveillance. The Bank uses an approved risk rating system to guide risk assessment.

Credit Risk Management

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

FirstBank 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 the delivery and enhancement of the credit risk management framework.

The credit risk management framework is designed to ensure 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 related controls and processes.

In addition, the ECC has the following primary responsibilities:

1. To 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. To 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. To consider, approve or decline all annual reviews of existing transactions and/or excess positions, within its delegated authority.
4. To review the overall credit risk portfolio of the Bank, the review of actual positions versus limits and risk acceptance statements; and
5. To review 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 borrowers to meet their obligations using an internal credit rating system. The Bank has implemented an approved risk rating system in order to guide risk assessments.

Not only the counterparties, but also the markets and the countries in which 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 31st December 2022, the Bank's maximum exposure to credit risk was £3,107m, of which £8.3m was deemed to be in default. 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 increased by 8.3% predominantly driven by growth in the corporate book, which includes institutional exposures from non-equivalent regimes.

Table 1: Total and average net amount of exposures

	Exposure Class	Net value of exposures at the end of 2022 £'000	Average net exposures over 2022 £'000
16	Central governments or central banks	1,151,033	1,107,601
18	Public sector entities	124,567	62,284
19	Multilateral development banks	559,310	504,902
21	Institutions	76,000	72,341
22	Corporates	1,058,305	1,102,694
23	Of which: SMEs	-	8,872
24	Retail	1,432	1,841
26	Secured by real estate property	118,020	109,984
27	Of which: SMEs	-	1,844
28	Exposures in default	8,291	16,184
34	Other Exposures	9,904	10,314
35	**Total standardised approach**	**3,106,860**	**2,988,145**
36	**Total**	**3,106,860**	**2,988,145**

* The exposure value is gross exposure (before netting of provisions).
* The exposure value includes counterparty credit risk.

The average net exposure over 2022 is a simple average of the exposures at the end of 2022 and 2021. The Corporate exposure class includes African Banks.

Table 2: Geographical breakdown of exposures

		UK £000s	Africa £000s	Europe £000s	North America £000s	Other £000s
7	Central governments or central banks	391,082	48,548	-	711,402	-
8	Regional governments or local authorities	-	-	-	-	-
9	Public sector entities	-	-	124,567	-	-
10	Multilateral development banks	-	-	-	-	559,310
11	International organisations	-	-	-	-	-
12	Institutions	9,285	-	15,596	9,673	4,351
13	Corporates	8,615	909,515	-	-	139,027
14	Retail	82	1,350	-	-	-
15	Secured by real estate property	28,170	82,487	-	379	6,984
16	Exposures in default	-	5,735	-	-	2,556
22	Other Exposures	9,904				
23	**Total standardised approach**	447,137	1,047,635	140,163	721,454	712,228
24	**Total**	447,137	1,047,635	140,163	721,454	712,228

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

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

Table 3: 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 ban	1,131,303	-	-	-	-	-	-	-	-	1,131,303
9	Public sector entities	124,567	-	-	-	-	-	-	-	-	124,567
10	Multilateral development banks	559,310	-	-	-	-	-	-	-	-	559,310
12	Institutions	38,904	-	-	-	-	-	-	-	-	38,904
13	Corporates	651,770	12,427	53,292	79,429	35,463	8,301	5,655	1,653	21,615	869,604
14	Retail	-	-	-	-	-	-	-	-	1,432	1,432
15	Secured by real estate property	-	-	-	-	-	-	-	112,876	-	112,876
16	Exposures in default	-	-	-	-	-	-	-	4,468	3,822	8,291
22	Other Exposures	-	-	-	-	-	-	-	-	9,904	9,904
23	**Total standardised approach**	**2,505,854**	**12,427**	**53,292**	**79,429**	**35,463**	**8,301**	**5,655**	**118,997**	**36,773**	**2,856,191**
24	**Total**	**2,505,854**	**12,427**	**53,292**	**79,429**	**35,463**	**8,301**	**5,655**	**118,997**	**36,773**	**2,856,191**

*This table excludes off-balance exposures and derivatives.

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 £134.5m (2021: £229m) against which the Bank held cash collateral of £63.4m (2021: £133m). FirstBank UK had total financial collateral of £375m (2021:

£441m) including other credit exposures. Additionally, the 'secured by estate property' exposure class is secured by property collateral.

Table 4: UK CR1A Maturity of exposures

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

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	417,002	751,063	100,068	101,421	32,689	1,402,243
2	Debt securities		988,612	459,000	6,336		1,453,948
3	**Total**	**417,002**	**1,739,675**	**559,067**	**107,757**	**32,689**	**2,856,191**

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 our 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 £44m as at 31st December 2022). It includes Eurobond trading (market-making in Nigerian, Angolan and Ghanian Eurobonds for mainly Nigerian institutional clients), investments in Nigerian treasury/open market operation bills (carry trades) where FirstBank UK invests in NGN-denominated T-Bills (with the position hedged). The Bank also undertakes execution of Non-Deliverable Forwards (NDFs) for FirstBank Group companies and offshore counterparties. The risk on 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. FirstBank UK's market risk is primarily to foreign currency risk and interest rate risk. Interest rate risk in the banking book is described in the succeeding section.

4.3 Interest Rate Risk in the Banking Book

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. It arises in FirstBank UK due to its holding of a combination of fixed and variable rate assets and liabilities arising during the normal course of business.

The Bank has a low-risk appetite for IRRBB. The Bank monitors IRRBB by applying the two supervisory 200 basis point shocks as well as evaluating the impact of IRRBB under the six supervisory shock scenarios to assess the changes in the economic value of equity on a monthly basis.

The scenarios are regularly reviewed at the monthly ALCO committee, against the risk appetite metrics. The metrics are set to ensure that Bank plans to remain well within the regulatory threshold of a 15% decline economic value of Tier 1 capital. The Bank uses natural hedges, careful management of the repricing profile of assets and liabilities on the balance sheet, as well as hedging of income to manage earnings volatility as a result of foreign exchange rate risk.

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 200 basis points based on the Bank of England yield curves 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
31st December 2022	(9,392)	9,534

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 FirstBank UK to match the currencies of its assets and liabilities as far as practicable. It is also the policy of FirstBank UK to adhere to the limits laid down by the Board in respect of its "overall net open position".

Foreign Currency Sensitivity

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in FirstBank 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 capital requirements for market risk, the Bank is required to calculate foreign exchange financial position risk, in order to ensure capital is set aside for exchange rate movements.

The GBP/US$ rate

USD/GBP exchange rate was volatile during 2022 but GBP strengthened towards the end of 2022. When USD strengthens, it has the impact of increasing RWAs and thus reducing the capital ratios. As most of the Bank's exposures are in USD, on 1 January 2023, the Bank changed its reporting and functional currency to USD to reduce this risk. The Bank continues to proactively manages its capital to ensure it remains above the regulatory requirements creating capacity to write further assets. Exchange rates are constantly monitored by both the Finance and Treasury Functions and relayed to the business to manage exposures.

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 it 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 it 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 its customer, however, in all cases the Bank assesses how the customer mitigates this risk.

4.4 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, compliance risk, legal risk or reputational risk. There is an 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, 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.

4.5 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 holds 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 its longer-term funding to mitigate the risks deriving from maturity transformation.

Liquidity risk is assessed periodically through the Individual Liquidity Adequacy Assessment Process ('ILAAP') carried out under the rules of the Bank's regulator. The ILAAP is analogous to 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 its risk assessment and liquidity review.

The ILAAP assesses the minimum amount of liquidity FirstBank UK should hold and was updated in March 2022. The ILAAP also informs the Board and sets out 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 measures by the Board and 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 Key Metrics table in section 5. 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.

4.6 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 mismanagement 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

FirstBank UK assesses 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. FirstBank UK mitigates the potential detriment by taking a proactive approach to regulatory change, so that the Bank's readiness to operate is in line with emerging regulatory expectations. This is demonstrated by the introduction of horizon scanning as part of 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. FirstBank 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.

Transition from LIBOR

The Bank has duly complied with the requirement not to offer any new or extended facilities providing customers with US dollar LIBOR based facilities after the regulatory deadline. Instead, the Bank has adopted either Secured Overnight Financing Rate ("SOFR") compounded in arrears or SOFR term rates for new or extended facilities from 1 January 2022. Where legacy facility agreements with customers expire after the date upon which US dollar LIBOR is expected to cease to be available, i.e., 30 June 2023, those agreements will be proactively amended to use Risk Free Rates as appropriate at the earliest opportunity.

Financial risk of climate change

The Bank has a process to capture the financial risks arising from climate change as part of its risk management processes to ensure sustainability of its strategic objectives in the long term.

The Bank has implemented a robust risk management framework which will 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 has involved setting a risk appetite and ensuring 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 greater details as legislation and guidance are developed.

5 Capital Adequacy and Key Metrics

5.1 Capital Management

FirstBank UK endeavours to maintain sufficient capital resources to support its current business and growth aspirations. Its 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 the level that the Board considers necessary. Its assessment of the amount of capital above the minimum requirement is a combination of sound judgement exercised by the Board and compliance with regulatory requirements. 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 takes into account all material risks in establishing additional Pillar 2A capital resource requirements over the medium-term in light 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. These 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; capital adequacy stress tests, for example, 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 more frequently as required, including periodic ad-hoc stress tests 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 Key Metrics

The Key Metrics table is a new table created under CRR2. It encompasses the capital ratio, leverage ratios, liquidity coverage ratio (based on 12-month average) and the net stable funding ratio. The NSFR rules changed from 1st January 2022 and data for the previous period is not available on an equivalent basis.

Table 6 – KM - Key Metrics

	Available own funds (amounts)	2022 £'000	2021 £'000
1	Common Equity Tier 1 (CET1) capital: Instruments and reserves	247,363	211,035
2	Common Equity Tier 1 (CET1) capital	229,026	201,907
3	Total capital (TC = T1 + T2)	265,764	241,216
	Risk-Weighted exposure amounts		
4	Total risk-weighted exposure amounts	1,019,070	1,135,077
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	22.47%	17.79%
6	Tier 1 ratio (%)	22.47%	17.79%
7	Total capital ratio (%)	26.08%	21.25%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exp		
UK 7a	Additional CET1 SREP requirements (%)	4.82%	4.39%
UK 7c	Additional T2 SREP requirements (%)	1.61%	1.46%
UK 7d	Total SREP own funds requirements (%)	14.42%	13.85%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	of which: capital conservation buffer	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.05%	0.00%
11	Combined buffer requirement (%)	2.55%	2.50%
UK 11a	Overall capital requirements (%)	16.97%	16.35%
12	CET1 available after meeting the total SREP own funds requiremen	57,670	15,875
	Leverage		
13	Leverage ratio total exposure measure	2,327,282	2,749,530
14	Leverage ratio	9.84%	6.83%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,580,997	1,198,742
UK 16a	Cash outflows - Total weighted value	926,814	788,438
UK 16b	Cash inflows - Total weighted value	269,843	295,280
16	Total net cash outflows (adjusted value)	656,972	493,157
17	Liquidity coverage ratio (%)	240.65%	243.08%
	Net Stable Funding Ratio*		
18	Total available stable funding	1,089,789	
19	Total required stable funding	396,700	
20	NSFR ratio (%)	274.71%	

*-The new NSFR rules arising from CRR2 commenced from 1/1/2022 and hence are not available from previous periods on a comparable basis

The key metrics are discussed in the succeeding sections.

5.3 Capital Resources

The total capital available at 31st December 2022 was £266.5m including Tier 2 capital. This comprised share capital, retained profits, tier 2 capital and tier 1 regulatory adjustments as included above in the reconciliation of statutory and regulatory capital.

Capital Resources

First Bank of Nigeria Limited (FirstBank) holds 182,000,000 (2021: 182,000,000) or 91% (2021: 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 2029 at an interest rate of 9.00% per annum. The Tier 2 amount included in the table above has been restricted to 25% of the Bank's total capital requirement in line with regulatory requirements.

IFRS 9 Transitional Adjustment Disclosures

IFRS 9 Financial instruments accounting standard 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 period. Hence, 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 2021, 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 adopted these regulations, they are expected to benefit the capital position of the Bank.

Table 7 – IFRS 9 Transitional Adjustments Disclosure

Individual Reporting £'000		Yr Ending 31/12/2022	Yr Ending 31/12/2021	Yr Ending 31/12/2020
Available Capital Amounts				
1	Common Equity Tier 1 (CET1) capital	229,026	201,907	181,579
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	219,982	183,819	156,255
3	Tier 1 capital	229,026	201,907	181,579
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	219,982	183,819	156,255
5	Total capital	265,764	241,216	216,165
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	256,719	223,128	190,841
Risk-weighted assets (amounts)				
7	Total risk-weighted assets	1,019,070	1,135,077	898,917
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	1,019,070	1,135,077	898,917
Capital ratios				
9	CET1 Capital (as a percentage of risk exposure amount)	22.47%	17.79%	20.20%
10	CET1 Capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.59%	16.19%	17.38%
11	Tier 1 capital (as a percentage of risk exposure amount	22.47%	17.79%	20.20%
12	Tier 1 capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.59%	16.19%	17.38%
13	Total capital (as a percentage of risk exposure amount)	26.08%	21.25%	24.05%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25.19%	19.66%	21.23%
Leverage Ratio				
15	Leverage ratio total exposure measure	2,327,282	2,749,530	2,444,955
16	Leverage ratio	9.84%	6.83%	6.75%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.19%	6.22%	6.26%

* See narrative above with regard to treatment of provisions in relation to RWAs

5.4 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 in respect of the aggregate for Credit Risk, Market Risk, Operational Risk and Settlement 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 against 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.

In accordance with Pillar 2 of the Basel III requirements, FirstBank 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 8 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Reconciliation of Statutory and Regulatory Capital

£'000	2022	2021	2020	2019	2018
Equity as per statement of financial position	248,530	211,035	183,485	167,034	162,108
Regulatory adjustments					
Less intangible assets	(1,475)	(2,022)	(2,749)	(3,191)	(1,510)
Less deferred tax	(27,024)	(25,165)	(24,454)	(21,996)	
IFRS 9 Transitional Adjustment	9,044	18,088	25,324	30,750	34,368
PVA adjustment	(49)	(30)	(27)	(20)	(10)
Total regulatory capital	229,026.1	201,906.9	181,579.0	172,577.3	194,956.3

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 9 – UK OV1 – Overview of RWAs

		RWAs		Minimum capital requirements
		2022	2021	2022
		£'000	£'000	£'000
1	Credit risk (excluding CCR)	801,544	956,822	64,123
2	Of which the standardised approach	801,544	956,822	64,123
6	CCR	19,755	8,718	1,580
	Of which Mark to Market Approach		8,718	-
	Of which Standardised Approach	19,755		1,580
UK 8b	Of which CVA	4,308	1,312	345
15	Settlement risk	46	10	4
20	Market risk	81,831	59,238	6,546
21	Of which the standardised approach	81,831	59,238	6,546
22	Large exposures			
23	Operational risk	111,587	108,976	8,927
24	Of which basic indicator approach	111,587	108,976	8,927
29	Total	1,019,070	1,135,077	81,526

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 External Credit Assessment Institutions (ECAI) 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 ECAI for all standardised counterparty credit risk exposure classes which use external ratings.

For other types of exposures, the risk weights, both on and off-balance sheet 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.

Credit Risk Mitigation (CRM)

The Bank uses various techniques to reduce the credit risk on its lending. These include both funded and unfunded guarantees e.g. the receipt of collateral for the facility advanced, the structuring of 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 have any exposure to credit derivatives. The table below shows the use of CRM, broken down by loans and debt securities.

Table 10: UK CR3 - CRM techniques – Overview

	Category All values in £000s	Exposures unsecured – Carrying amount £000s	Exposures secured – Carrying amount £000s	Of which		
				Exposures secured by collateral £000s	Exposures secured by financial guarantees £000s	Exposures secured by credit derivatives £000s
1	Total loans	1,026,674	375,569	375,569	-	
2	Total debt securities	1,453,947	-	-	-	
3	**Total exposures**	**2,480,621**	**375,569**	**375,569**	**-**	
4	Of which defaulted	8,291	-	-	-	

* This table only includes on balance sheet exposures including other exposures.

FirstBank UK does not have any exposures to credit derivatives.

Counterparty Credit Risk

The Bank uses the standardised approach to assessment of counterparty credit risk capital requirements for foreign currency spots contracts, forwards contracts and swaps. Under Pillar 1, the capital requirement is based on 8% of their calculated future credit exposure. As at 31 December 2022, the Bank had £38.2m of exposure in this category.

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 11 - Market risk under the standardised approach

Exposure Class	RWAs	Capital
Foreign exchange risk	£81.83m	£6.55m

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. The RWAs for settlement risk as at 31 December 2022 were £0.05m (2021: £0.01m).

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 Bank's capital adequacy during the SREP process and the Bank 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 (being the regulatory minimum) under all conditions. This is included in the Key Metric table.

PRA Buffer

The PRA also sets 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 31st December 2022, the capital conservation buffer is 2.5% for all UK Banks.

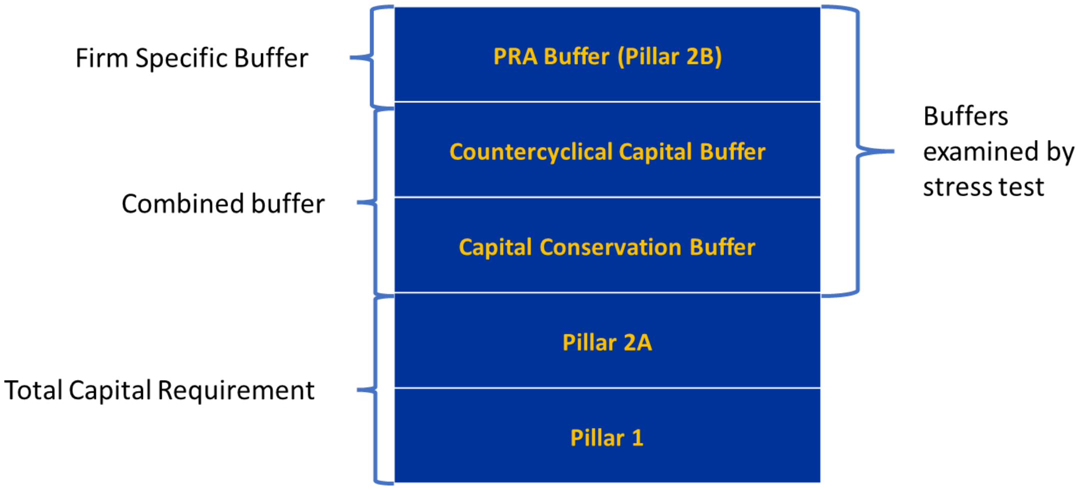
Countercyclical Capital Buffer Disclosures

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 excessive 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 13 December 2022, the buffer was increased from 0% to 1%, as support resulting from the COVID pandemic is no longer required. This resulted in an overall 0.5% requirement for December 2022 (0% in 2021). The UK rate will also be increased by a further 1% In July 2023.

Currently only the UK has set a countercyclical buffer rate which impacts the Bank.

PRA Buffer 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 regulations in determining how to meet the capital requirements from its capital resources. At least 75% of the TCR must be met from Common Equity Tier 1 (CET1) capital.

The CET 1 minimum capital requirement and the 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 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 second for the Pillar 1 and Pillar 2A.

5.5 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 may damage the broader financial system.

The Bank had a leverage ratio of 9.84% at 31st December 2022, which is disclosed on an IFRS 9 transitional basis. The leverage ratio has remained relatively stable throughout the year with no significant movements. The PRA expects firms not in scope of the leverage ratio minimum capital requirement and buffers should manage their leverage risk to ensure that the ratio well above 3.25%. The Bank has set its risk appetite to ensure that the minimum leverage requirements are adhered to at all times.

The Bank also considers leverage levels in its business plans and stress testing to prevent excess leverage.

Leverage information is disclosed in the key metrics table.

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 on 12 month expected credit losses (ECL) for performing (stage 1 and stage 2 loans).

The governance around the ECL model in FirstBank UK is controlled by its 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 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 its impairment provision using IFRS 9 and provision levels are reviewed monthly to ensure that the coverage is sufficient to cover expected credit losses and economic deterioration. The segmentation of the portfolio for modelling purposes is based on FirstBank 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, HPI (UK) and GDP (UK and World).

The following table shows the allowances for impaired exposures by financial statement categories at 31 December 2022.

Table 12 – Credit quality of exposures by exposure class and instrument

	Exposures class	Gross Exposure Value		Specific credit risk adjustment	Accumulated write-offs	Net values (a+b-c)
		Defaulted exposures (a)	Non-defaulted exposures (b)			
		£000s	£000s	£000s	£000s	£000s
16	Central governments or central banks		1,131,303	464		1,130,838
18	Public sector entities		124,567	7		124,560
19	Multilateral development banks		559,310	31		559,279
20	International organisations		0	0		0
21	Institutions		38,904	1		38,903
22	Corporates		869,604	5,758	364,000	863,846
24	Retail		1,432	24		1,408
26	Secured by real estate property		112,876	507		112,369
28	Exposures in default	8,291		2,920		5,371
34	Other Exposures		9,904	0		9,904
35	**Total standardised approach**	**8,291**	**2,847,900**	**9,712**	**364,000**	**2,846,478**
36	**Total**	**8,291**	**2,847,900**	**9,712**	**364,000**	**2,846,478**

* 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 table includes on balance sheet credit risk exposures only.

The Bank continues to refine its approach to managing credit risk.

Table 13 – UK CQ3 - Credit quality of performing and non-performing exposures by past due days

	Exposure class	Gross carrying amount/nominal value									
		Performing Exposures			Non-performing exposures						
	Amounts are in £000s		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	Past due > 2 years	Of which defaulted
1	**Loans and Advances**	**1,387,871**	**11,447**	**798**	**4,469**	**1,587**	**239**	**53**	**34**	**2,556**	**4,469**
2	Central banks	403,603	-	-	-	-	-	-	-		-
3	General governments	-	-	-	-	-	-	-	-		-
4	Credit institutions	38,904	-	-	-	-	-	-	-		-
5	Other financial corporations										-
6	Non-financial corporation	858,288	7,038	79	2,556	-	-	-	-	2,556	2,556
7	Of Which SMEs										-
8	Households	87,076	4,410	718	1,913	1,587	239	53	34	-	1,913
9	**Debt securities**	**1,450,125**	**-**	**-**	**3,822**	**3,822**	**-**	**-**	**-**		**3,822**
10	Central banks	719,420	-	-	-	-	-	-	-		-
11	General governments	8,280	-	-	3,822	3,822	-	-	-		3,822
12	Credit institutions	683,878	-	-	-	-	-	-	-		-
13	Other financial corporations										-
14	Non-financial corporation	38,548	-	-	-	-	-	-	-		-
15	**Off Balance Sheet Exposures**	**212,426**	**2,705**	**2,254**	**-**	**-**	**-**	**-**	**-**		**-**
16	Central banks	19,730			-						-
17	General governments	-			-						-
18	Credit institutions	-			-						-
19	Other financial corporations										-
20	Non-financial corporation	188,234			-						-
21	Households	4,462			-						-
22	**Total**	**3,050,423**	**14,153**	**3,052**	**8,291**	**5,409**	**239**	**53**	**34**	**2,556**	**8,291**

* This table excludes other items and counterparty credit risk

The Bank has not disclosed the table 'Collateral obtained by taking possession and execution processes' as there were no repossessions to report during 2022.

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 through a refinancing of the loan to achieve the best outcome for both the customer and the Bank.

As at 31 December 2023, there were only two cases in forbearance with a total exposure of £0.85m.

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. The £17.6m encumbrance on £2.9bn of exposures, is therefore, 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 its 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 against a balanced range of factors.

For the year ended 31 December 2022, 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 2022, SYSC 19D and the FCA statement on dual regulated firms. As a Small CRR Firm with less than £4bn of assets, the Bank is classified as a Proportionality Level 3 firm and has followed the Regulator’s guidance on materiality and proportionality. Disclosures are required in line with Article 450 of the CRR as interpreted by PS22/21: Reporting and disclosure templates and instructions. This statement sets out the disclosures required as they apply to FirstBank UK.

The Board Nomination and Remuneration Committee (BNRC) 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 BNRC for the employees, the Executives and the Directors of the Board. BNRC 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.

BNRC regularly reviews the Bank’s remuneration policies to ensure compliance with the Remuneration Code. Additionally, it has confirmed the rules for use within the Bank for the identification of Code Staff and ratified the 2022 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, reinforce a strong performance culture and encourage individual accountability as part of collective contribution to the Bank's long-term success and to 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 2022, an element of deferral was introduced 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 2022, the Bank achieved a profit and therefore bonus funding was available and will be distributed in April 2023, according to rules approved by BNRC. Guaranteed bonuses are not offered as part of the Bank's current discretionary bonus arrangements.

For 2022, the Board also approved discretionary 'Long Term Incentive Plans' for senior employees of the Bank and complies with the regulatory remuneration code. BNRC has determined that these should vest after three years, subject to performance conditions being met, resulting in a vesting date of 2025.

The Remuneration Code requires that banks identify relevant senior and key roles and designate them as "Code Staff/Material Risk Takers". 30 staff on 31 December 2022 were identified as Code Staff/Material Risk Takers. This included 3 Executive Directors, 3 of the 5 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 is subject to malus and clawback.

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

Table 14: Remuneration for material risk takers

The disclosures items below relate to awards relating to the year 2022 but not necessarily paid in the year.

	Business	Support	Total
No. of Material Risk Takers during the year	7	28	35
Year Ending 31/12/202	**£000s**	**£000s**	**£000s**
Total fixed remuneration	1,404	3,332	4,726
Variable remuneration (cash)	168	973	1,142
Remuneration deferred to future years	46	308	354
Deferred remuneration from previous years	59	147	206
Long term incentive plan deferred to future years	93	172	265
Long term incentive plan payments relating to prior years	165	290	455
Discretionary pension contributions (ER)	0	0	0
Total	**1,936**	**5,214**	**7,151**
Variable remuneration as a % of total remuneration	**27.9%**	**42.3%**	**38.2%**

The Bank does not make discretionary pension payments and therefore does not benefit from the derogation for small CRR firms and small third country CRR firms.

FirstBank UK does not have any staff whose remuneration is more than €1m and qualify as high earners. Table UK REM4 is therefore not disclosed. The Bank is required to report the COR015 High Earners return in 2023 for 2022, but not the remuneration benchmarking due to size.

Table 15: Remuneration

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

Remuneration	Total Remuneration	Number of Employees at 31 December 2022		
		Business	Support	Total
All Staff	£17.042m	33	117	150

FirstBank UK is monitoring closely any future developments in regulatory changes and will respond accordingly to ensure compliance and best practice.

Table 16: 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	0
No. of beneficiaries	0
Retention awards deferred from previous years	165
No. of beneficiaries	7