FirstBank UK Limited

Pillar 3 Disclosures

As at 31st December 2023

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Board/Management Body	Recipients
The Board	All Directors
Management Committee	All Members
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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	FirstBank 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.
Basel 3.1	Basel 3.1 is a series of reforms to improve the quantity and quality of capital held by banks, as well as improve risk measurement. It is due for implementation in the UK on 1 July 2025.
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 legislative package that contains prudential rules for banks, building societies and investment firms, as adopted in UK Law.
Capital Requirements Regulation (CRR)	The Capital Requirements Regulation (EU) No. 575/2013 is an EU law, as adopted in UK law and updated in the PRA Rulebook, 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 derivative 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 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.
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.
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 for supervising conduct of business by the financial services industry in the UK.
FX	Foreign exchange.
IFRS 9 Transitional Arrangements	Transitional arrangements, under CRR, 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.
ICAAP	Internal Capital Adequacy Assessment Process. 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.
Leverage Ratio	Tier 1 capital divided by the exposure measure.
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%.
Operational Risk	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
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.
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.
Risk Appetite	The level and types of risk that a firm is willing to assume to achieve its strategic objectives.
RWA	Risk Weighted Asset. 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.

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.
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.
TCR	Guidance given by the PRA on the amount and quality of capital (Pillar 1 and Pillar 2A) resources which the PRA considers that a firm needs to hold as a result of its supervisory review (SREP) of the Bank's ICAAP
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 be the leading UK bank for African trade and investment, driving responsible growth and providing excellent service. 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.

1.2 Basis and Scope of Disclosures

The aim of the capital adequacy regime is to promote the safety and soundness of the financial system. It is structured around three "pillars", being Pillar 1 representing minimum capital requirements, Pillar 2 representing the supervisory review process and Pillar 3 representing market discipline. Pillar 3 requires firms to publish a set of disclosures which allow market participants to assess key pieces of information on the Bank's capital, risk exposures and risk assessment process.
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 PRA rulebook and guidance, unless otherwise stated, and should be read in conjunction with the Bank's 2023 Annual Report and Financial Statements.

The disclosures contained in this document cover the qualitative and quantitative disclosure requirements of Pillar 3, set out in the Capital Requirements Regulation as implemented in the PRA Rulebook CRR Instrument, and are based on data as at 31 December 2023 with comparative figures as at 31 December 2022. On 1 January 2023, the Bank changed its reporting and functional currency from GBP to USD, with the benefit of reducing exchange rate risk, and any 2022 figures reported have been restated in USD.

The Bank has provided disclosures in line with its classification as an 'Other' Institution (neither large nor small and non-complex) and non-listed status. Rows in which there is no data to report or zero values, have been excluded from the templates disclosed.

1.3 Frequency and Location

The Bank's Pillar 3 report is prepared annually in accordance with the PRA Rulebook and may differ from similar information in the Bank's Annual Report and Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS). The Pillar 3 report is published on the Bank's website: https://www.fbnbank.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 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 per the PRA Rulebook.

The disclosures have been subject to internal verification and review by the Audit Committee on behalf of the Board on 12 April 2024 but have not been, and are not required to be, subject to independent external audit.

2 Key Metrics and Risk Weighted Assets

The table below presents the Bank's key metric positions using its audited accounts as of 31-Dec-2023, with only items applicable to the Bank being shown. As of 31 December 2023, the Bank's regulatory capital base was $354.0m (2022: $321.0m), comprised of Tier 1 and Tier 2 capital.

2.1 Key Metrics – KM1

Table 1 – Key Metrics

	Available own funds (amounts)	2023 $'000	2022 $'000
1	Common Equity Tier 1 (CET1) capital: Instruments and reserves	336,454	298,729
2	Common Equity Tier 1 (CET1) capital	309,460	276,585
3	Total capital (TC = T1 + T2)	353,999	320,951
	Risk-Weighted exposure amounts		
4	Total risk-weighted exposure amounts	1,235,478	1,230,686
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	25.05%	22.47%
6	Tier 1 ratio (%)	25.05%	22.47%
7	Total capital ratio (%)	28.65%	26.08%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	4.82%	4.82%
UK 7c	Additional T2 SREP requirements (%)	1.61%	1.61%
UK 7d	Total SREP own funds requirements (%)	14.42%	14.42%
	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 (%)	0.09%	0.05%
11	Combined buffer requirement (%)	2.59%	2.55%
UK 11a	Overall capital requirements (%)	17.01%	16.97%
12	CET1 available after meeting the total SREP own funds requirements (%)	101,715	69,645
	Leverage		
13	Leverage ratio total exposure measure	1,567,144	2,810,558
14	Leverage ratio	19.75%	9.84%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,084,674	1,923,246
UK 16a	Cash outflows - Total weighted value	620,176	1,125,618
UK 16b	Cash inflows - Total weighted value	337,095	329,959
16	Total net cash outflows (adjusted value)	283,081	795,659
17	Liquidity coverage ratio (%)	383.17%	241.72%
	Net Stable Funding Ratio*		
18	Total available stable funding	1,506,379	1,316,090
19	Total required stable funding	526,030	479,077
20	NSFR ratio (%)	286.37%	274.71%

Performance

During 2023, all key ratios improved. An increase in capital resources benefitted both the capital and leverage ratios.

The leverage ratio is a transparent measure of capital strength not affected by risk weightings. The PRA expects firms not in scope of the leverage ratio minimum capital requirement to ensure that the ratio is well above 3.25%. The Bank has set its risk appetite to ensure that this requirement is adhered to at all times.

Leverage exposure and liquidity outflows decreased. Similarly, there was a reduction in high quality liquid assets (HQLA). This was predominantly due to a reduction in deposits by the Central Bank of Nigeria. The Bank treats these deposits as non-core deposits, which are held as HQLA, to ensure availability for immediate withdrawal. They are not relied on for liquidity management purposes.

The Bank also consider capital and liquidity requirements and leverage levels in its strategic business plans and stress testing to prevent excess leverage.

2.2 IFRS9 – Impact of IFRS 9 Transitional Arrangements

Table 2 – IFRS 9 Transitional Arrangements

	Individual Reporting $'000	Yr Ending 31/12/2023	Yr Ending 31/12/2022
Available Capital Amounts			
1	Common Equity Tier 1 (CET1) capital	309,460	276,585
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	309,460	265,663
3	Tier 1 capital	309,460	276,585
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	309,460	265,663
5	Total capital	353,999	320,951
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	353,999	310,029
Risk-weighted assets (amounts)			
7	Total risk-weighted assets	1,235,478	1,230,686
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied*	1,235,478	1,230,686
Capital ratios			
9	CET1 Capital (as a percentage of risk exposure amount)	25.05%	22.47%
10	CET1 Capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25.05%	21.59%
11	Tier 1 capital (as a percentage of risk exposure amount	25.05%	22.47%
12	Tier 1 capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25.05%	21.59%
13	Total capital (as a percentage of risk exposure amount)	28.65%	26.08%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	28.65%	25.19%
Leverage Ratio			
15	Leverage ratio total exposure measure	1,575,739	2,810,558
16	Leverage ratio	19.64%	9.84%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.64%	9.19%

The 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 comparative disclosures. The Bank elected to use the transitional arrangements available under Article 473a which allowed the IFRS 9 impact on capital to be phased in over a period of 5 years creating a reducing capital add-back over the 5 years period until the 31 December 2022. The Bank did not use the CRR QuickFix options. There are no transition effects included in the 2023 reporting.

2.3 Risk Weighted Assets – (Disclosure OV1)

The table below provides an overview of risk weighted exposures and own funds requirements.

Table 3 – OV1 Risk Weighted Assets

		RWAs		Minimum capital requirements
		2023	2022	2023
		$'000	$'000	$'000
1	Credit risk (excluding CCR)	1,060,740	967,989	84,859
2	Of which the standardised approach	1,060,740	967,989	84,859
6	CCR	8,023	23,857	642
	Of which Standardised Approach	8,023	23,857	642
UK 8b	Of which CVA	922	5,202	74
15	Settlement risk	2	55	0
20	Market risk	9,945	98,823	796
21	Of which the standardised approach	9,945	98,823	796
22	Large exposures			-
23	Operational risk	155,846	134,759	12,468
24	Of which basic indicator approach	155,846	134,759	12,468
29	Total	1,235,478	1,230,686	98,838

The following sections describe the methodologies and approaches used to calculate the RWAs.
The Bank uses the standardised approach for the calculation of credit risk and counterparty risk RWAs and the basic indicator approach for operational risk (15% multiplied by the three years of averaged operating income.

As the Bank only has a small trading book (mainly in Eurobond trading (market-making in Nigerian, Angolan and Ghanian Eurobonds for mainly Nigerian institutional clients), and NGN-denominated T-Bills) which is reported as credit risk, the market risk represents only net foreign exchange position risk.

The minimum capital requirements are 8% for all banks. As with all banks, the Bank has requirements for Pillar 2A and Pillar 2B capital. The Pillar 2B includes the PRA Buffer, the capital conservation buffer, and the countercyclical buffer, covered in more detail in the successive section.

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 Central Government and Central Banks, multilateral development banks, institutions and corporates, the Bank is required to use External Credit Assessment Institutions (ECAI) to assign exposures to credit quality steps. The Bank uses Fitch, Moody's and Standard & Poor as its nominated ECAIs 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.

The Bank uses credit risk mitigation to reduce the credit risk on its lending. These include both funded and unfunded credit risk mitigation e.g. the receipt of financial collateral or guarantees and property collateral.

2.3.1 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.

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. The Bank has no exposures to the equity position and commodity position risk.

2.3.2 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 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. The Bank has an adequate capital surplus to be able to manage this impact.

Table 4 - 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 2023	11,337	(12,327)

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. To minimise this risk, all new debt securities that are not part of the trading book will be purchased as held to collect and sell rather i.e. held at market value rather than at amortised cost.

2.3.3 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 date, 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/USD rate

Most of the Bank's exposures are in USD and the change in reporting currency from GBP to USD on 1 January 2023 reduced the impact of exchange rate movement 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.

2.3.4 Group Risk

The Bank grants loans and letters of credit and accepts deposits from other members of the FirstBank group. The Bank has a netting agreement in place which means that deposits placed by our parent and FBNQuest Capital can be used in credit risk mitigation. Some of the letters of credit are fully cash covered. The Bank monitors the net position throughout the day and ensures it remains within the risk appetite and large exposures limits.

2.3.4 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 $34.0m encumbrance on $2.5bn of exposures, is therefore, limited to the variation margin on forward contract derivatives and a deposit covering credit card balances.

2.4 Capital Resources - Disclosures CC1 and CC2

The total capital available at 31st December 2023 was $354.0m including Tier 2 capital. This comprised share capital, retained profits, tier 2 capital and tier 1 regulatory adjustments as included below in the reconciliation of statutory and regulatory capital (CC2).

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 22nd 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. Regulatory amortisation commences in March 2024 (five years before the repayment date).

The table below shows analyses the capital resources of the bank as at 31 December 2023.

Table 5 – UK CC1 - Composition of regulatory own funds

		(a)	(b)
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	266,228	Share Capital + Share Premium
2	Retained earnings	70,227	Retained Earnings
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**336,454**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-54	AVA
8	Intangible assets (net of related tax liability) (negative amount)	-1,122	Intangible Assets
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-25,819	Deferred Tax Assets
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-26,994	
29	**Common Equity Tier 1 (CET1) capital**	**309,460**	
	Additional Tier 1 (AT1) capital: instruments		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**	0
	Additional Tier 1 (AT1) capital: regulatory adjustments		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	0
44	**Additional Tier 1 (AT1) capital**	**0**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**309,460**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	44,539	Subordinated Liabilities
51	**Tier 2 (T2) capital before regulatory adjustments**	**44,539**	
	Tier 2 (T2) capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	0
58	**Tier 2 (T2) capital**	**44,539**	
59	**Total capital (TC = T1 + T2)**	**353,999**	
60	**Total Risk exposure amount**	**1,235,478**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	25.0%	
62	Tier 1 (as a percentage of total risk exposure amount)	25.0%	
63	Total capital (as a percentage of total risk exposure amount)	28.7%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	4.5%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.09%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**25.0%**	
	Amounts below the thresholds for deduction (before risk weighting)		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	0	

The Bank reports on an Individual Basis as a result the figures used in the Financial Statements and the Regulatory Scope of Consolidation are consistent.

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 2023, 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 31 December 2023, the UK buffer rate was 2%. This resulted in an overall 0.9% requirement for December 2023 (0.5% in 2022). Currently only the UK rate affects the Bank.

Table 6 – UK CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b
		Balance sheet as in published financial statements	Under regulatory scope of consolidation
		As at period end	As at period end
Assets - *Breakdown by asset class according to the balance sheet in the published financial statements*			
1	Cash and Bank Balances	38,231	38,231
2	Loans and Advances to Banks	1,186,213	1,186,213
3	Loans and Advances to Customers	529,947	529,947
4	Financial Assets at fair value through other comprehensive income	-	-
5	Financial Assets at fair value through profit or loss	37,038	37,038
6	Financial Investments at Amortised Cost	634,655	634,655
7	Property, Plant and Equipment	7,738	7,738
8	Intangible Assets	1,122	1,122
9	Other Assets	3,281	3,281
10	Deferred Tax Asset	25,819	25,819
11	**Total assets**	**2,464,043**	**2,464,043**
Liabilities - *Breakdown by liability class according to the balance sheet in the published financial statements*			
1	Deposits from Banks	713,970	713,970
2	Deposits from Customers	1,249,444	1,249,444
3	Other Liabilities	87,259	87,259
4	Financial liabilities at fair value through profit or loss	16,660	16,660
5	Subordinated liabilities	60,255	60,255
6	**Total liabilities**	**2,127,588**	**2,127,588**
Shareholders' Equity			
1	Called up share capital	241,531	241,531
2	Share premium	24,696	24,696
3	Revaluation reserves	-	-
4	Retained earnings	70,227	70,227
5	**Total shareholders' equity**	**336,454**	**336,454**

2.5 ICAAP and Capital Management – (Disclosure OVC)

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 sound judgment of the Board considers necessary. In assessing the adequacy of its capital, the Bank considers the results from stress testing and sensitivity analysis, the 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, to determine how much capital to hold above the regulatory minimums.

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 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 stress testing and scenario analysis assesses the Pillar 2B capital requirements and informs risk appetite setting.

The final ICAAP document is updated and reviewed annually by the Management Committee 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 Management Committee 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 Management Committee. 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.

3 Risk Management and Governance – Disclosure OVA

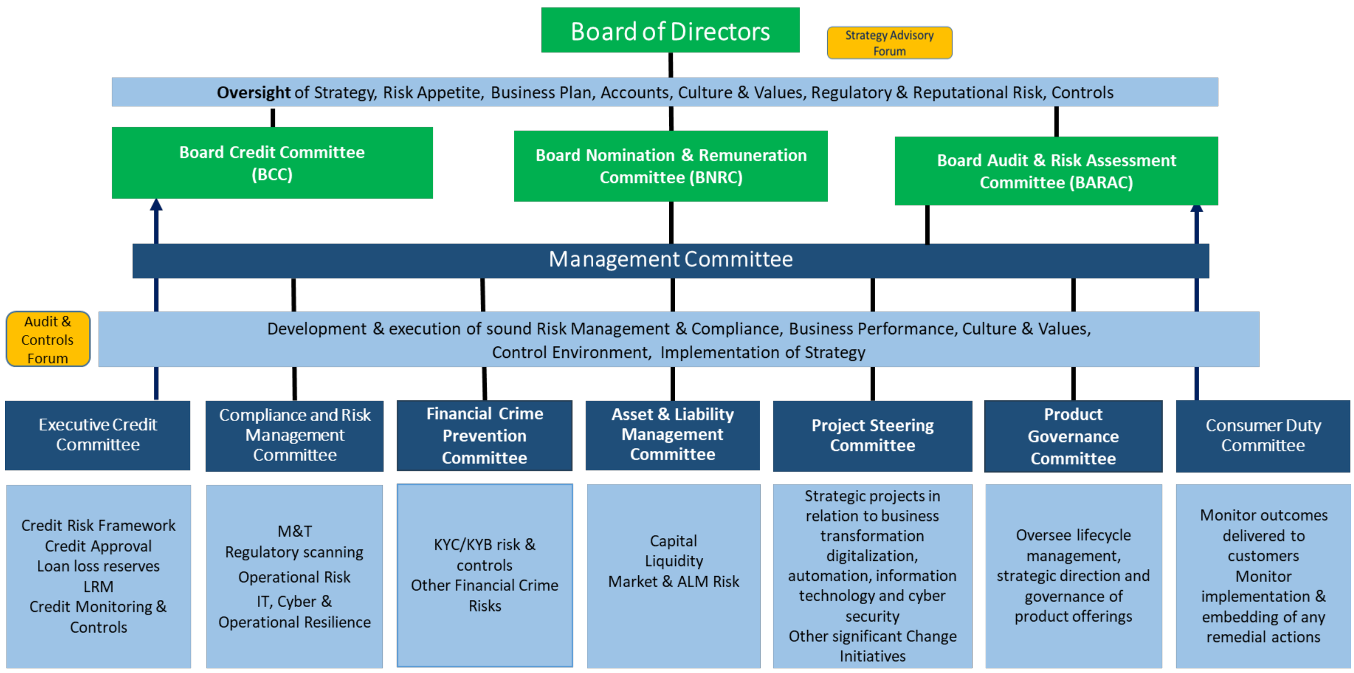
The Board determines the overall risk strategy of the Bank, including the applicable framework for risk management and control, approval of policies and governance terms of reference. The Board is ultimately responsible for the management of the Bank – including its Representative offices in France and Nigeria – and for establishing and monitoring the effectiveness of its corporate governance framework. The Board 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 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, Money Laundering Reporting Officer and Head of Human Resources, who attend its formal meetings.

To fulfil its responsibilities, the Board is supported by three Board 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 Management Committee and/or the Board, as appropriate. The flow of information to the Board operates through this hierarchy.

The Bank's risk management and internal control systems are monitored at Board level. A review of the effectiveness of those systems has been performed incorporating all material controls, including financial, operational and compliance controls.

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)	1 Independent Non-Executive Director (Chair) 2 Independent Non-Executive Directors (one of whom is Chairman of the Board) 1 Non-Executive Director	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

Management Committee	CEO (Chair) (EDBD) ED/CFO CRO COO Head of Compliance MLRO	Management Committee 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 & Head of Compliance (Co-Chairs), MLRO COO Head of Operational Risk Head of Corporate Banking Head of Institutional Banking Head of Private Banking Director of Strategy Head of Finance	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 Risk Head of Portfolio Management & 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 Chief Technology Officer 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 MLRO 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
Consumer Duty Committee (CDCO)	CEO (Chair) EDBD ED/CFO COO	CDCO provides oversight on how the firm is delivering good customer outcomes and monitors identified enhancements required to deliver good customer outcomes, as defined in the Bank's Good Outcomes Statement.	Monthly
Product Governance Committee (PGC)	EDBD (Chair) ED/CFO COO	PGC oversees the management and strategic direction of the firm's product offerings and is instrumental in ensuring the delivery of high-quality products while mitigating risks and aligning with strategic objectives.	Monthly

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 2023, comprises three Independent Non-Executive Directors (including the Chairman), two Non-Executive Directors and three Executive Directors; the Chief Executive Officer, the Chief Financial Officer and the Executive Director Business Development.

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

3.3 Risk Management and Governance Tools

To ensure that all material risks facing the Bank are appropriately identified, understood, and managed in accordance with the Bank's Enterprise Risk Management Framework (ERMF); the Bank has put in place some activities, tools, techniques, and organisational structures. This, in turn, allows the Bank to maintain its financial viability and achieve its strategic objectives while also increasing its ability to respond to new business opportunities.

The key principles of ERMF are:

- Upholding sound risk management as the foundation of a long-term business and financial sustainability.
- Ensuring that business decisions are made based on a thorough understanding of risks, and an appropriate balance of risks and rewards.
- Sharing responsibility for risk management across FirstBank UK's three lines of defence.
- Being selective in undertaking activities that could cause significant, adverse reputational risk impact.

Risk Governance

The Bank's Management and Board of Directors are committed to operating within a robust corporate governance environment. The principles that guide the Bank's risk management strategy are:

- The Board is responsible for setting risk appetite and an appropriate 'tone from the top'.
- The Bank has a robust Risk Taxonomy and Risk Appetite Framework, which is supported by approved set of metrics, and reports are presented to relevant governed forums regularly.
- Stress tests and scenarios analysis are performed on a regular basis to ensure that the Bank remains sustainable during extreme economic and/ or idiosyncratic conditions.
- The remuneration strategy stimulates fair customer outcomes and prudent decision-making within risk tolerance. Bank employees are not excessively rewarded for increasing revenues and/or profits.

The Bank, during the period under review, adhered strictly to the Board's approved risk appetite statement and continuously reviewed its risk management approach to ensure that it remains viable even in the event of a plausible but severe adverse economic downturn and/or idiosyncratic conditions.

Risk Appetite

In the Bank, the risk appetite is defined as the type and amount of risk that the Bank is willing to take in the pursuit of its strategic objectives. The Bank translates its risk appetite into risk appetite statements which are cascaded through tolerances and early warning indicators. These tolerances are, in turn, prescribed via limits of which are maintained within the Bank's Policies & Procedures. Compliance is measured and monitored regularly to ensure that the risk profile remains aligned with the Bank's risk appetite and that remedial actions are enacted through risk governance mechanisms when deviations are observed. The Risk Appetite Statement (RAS) forms part of the Risk Policies to guide day-to-day decision making with a hierarchy of metrics as follows:

- High level expression of the Bank's risk appetite.
- Lending policies.
- Supporting metrics to guide decision making by Management Committee & the Board.
- Operational metrics to support day-to-day decision making by Line Managers.
- Detailed tactical and operational metrics with defined target and tolerance ranges, along with potential mitigating actions to be taken in the event of a breach.
- All primary risk monitoring is conducted via risk appetite metrics or key risk indicators.
- Regular review of metrics by committees.

Three Lines of Defence Model

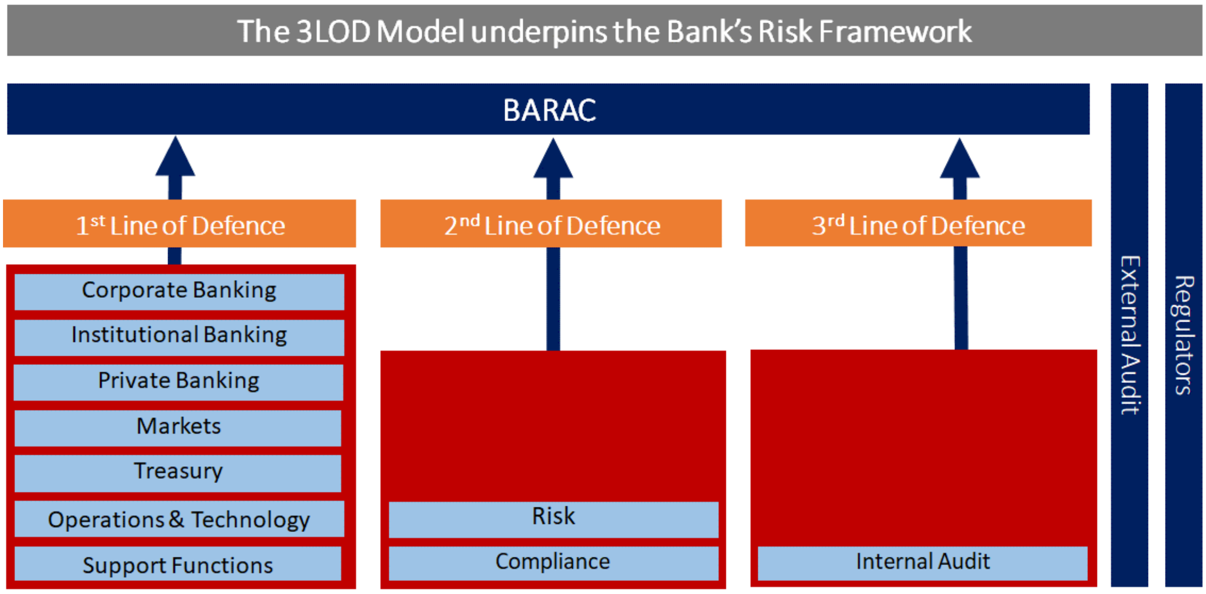
FirstBank UK recognises and promotes the importance of internal controls in accordance with the practice of the 'three lines of defence' model including the business unit, oversight unit and audit units. These three units work together as follows:

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 MLRO, 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



Risk Control Systems

Risk management and internal control systems at the Bank are intended to identify, manage, monitor, and report on risks to which the Bank is exposed. The effectiveness of internal controls was regularly reviewed by the Board Audit and Risk Assessment Committee (BARAC) during the period under review. The reviews were based primarily on reports from Finance, Risk, Compliance, Operations, Human Resources, and Internal Audit, and they are aimed at providing reasonable assurance against the risk of material misstatement or loss. Where there is a room for improvement in controls, recommendations are made are tracked for closure with progress reports submitted to BARAC.

Risk Culture

Risk culture can be defined as "what people do when no one is looking". Fostering behaviours that reinforce the Bank's strong risk culture is considered vital to the framework's successful implementation. The Management and Board encourage the continuation of a culture in which the first line of defence owns risks and the second and third lines of defence provide varying levels of oversight. Throughout the Bank, there is a strong risk culture. A number of management actions, such as the tone at the top, accountability, effective communication, mandatory conduct risk and compliance training, and appropriate performance incentives, have been implemented to constantly reinforce the risk culture.

3.4 Risks – (Disclosure OVA)

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.

Risk Category	Strategic Activity	Mitigation
Strategic Risk The risk arising from poor business and strategic decisions and improper strategy implementation.	• Conducting business that is aligned to the Bank's vision, linked to African markets and core to our clients' needs. • The business could be adversely impacted if strategy and decisions are poorly executed or if the strategy does not effectively respond to changes in the regulatory, macroeconomic or competitive environments in the geographic locations in which we operate.	We will only be involved in businesses where we have the expertise, resources and competencies to grow safely with minimal adverse impact on capital and earnings in times of moderate economic stress. Further mitigants include the following: • Having a sound planning and budgeting process in place, including regular performance reporting against budget. • Focusing on countries where FirstBank Group has its footprint and gives a unique advantage of being close to the customer. • Regular review and update of business plans. • Regular environmental scanning for emerging risks and developments that may impact the business and our strategy.
Credit Risk The risk of loss arising from the borrower or counterparty's inability or unwillingness to meet their financial obligations, giving rise to financial losses.	• Represents one of the biggest risks for the Bank, which may impact capital adequacy and liquidity.	The Bank operates in selected markets, sectors, and products in which it has a good understanding. This is supported by: • Prudent management of concentration risks by country, sector and single obligor. • Consistent application of sound credit underwriting principles. • Operating within well-defined delegated approval authorities. • Regular monitoring of portfolio performance and risk appetite metrics. • Sound transaction structures, including those secured by physical and financial collateral. • Robust credit portfolio management, with a strong early-warning framework to identify early warning signals. • Timely recognition of expected credit losses under the IFRS9 Impairment policies.
Market Risk The risk of loss in our portfolio of financial instruments arising from adverse movements in market variables such as interest and currency exchange rates.	• Customer lending, deposits and treasury activities legally commit the Bank to exposures that are ultimately dependent on external market prices; and • Changes in market prices, such as interest rates or exchange rates, create the risk of financial loss by reducing earnings or changing the value of assets/liabilities.	• The Bank has established policies and procedures that are regularly reviewed and updated to control market risk. • The Bank's Asset & Liability Committee regularly reviews market developments, including the level and impact of market risk. Some of the mitigants applied by the Bank to manage market risk are as follows: • Matching the interest rate structure of assets and liabilities, thereby creating a natural hedge. • Maintaining a tight limit for interest rate risk, in line with our regulatory risk appetite. • Careful management of the repricing profile of assets and liabilities.

Risk Category	Strategic Activity	Mitigation
		• Hedging of income and cost to manage volatility in earnings arising from FX risk. • Market risk techniques, such as value-at-risk limits, stop losses limits, duration risk and counterparty risk limits, are tightly controlled for monitoring purposes.
Operational Risk The risk of direct and indirect loss caused due to an event or action resulting in failure of internal processes or systems, people or from external events and including legal risks.	The Bank's day-to-day operations involve many activities and processes performed manually and/or rely on IT systems.	Key operational risk mitigants in place include: • An ongoing and comprehensive risk and control assessment (RCA) process to ensure that operational risks are identified and managed effectively. • Regular risk incident reporting, including near-misses to embed the risk event reporting process. • Identifying and regularly testing the Bank's ability to anticipate, plan for and handle responses to unexpected events, external pressures and disruptions to its important business services. • The Bank has set out the nature and level of operational risk considered acceptable (and unacceptable) by defining the boundaries for business activities and behaviours through risk tolerances, policies and controls.
Conduct Risk The risk that detriment is caused to our clients, markets or the Bank because of ill-designed processes, inappropriate judgement, intent to cause detriment, breach of regulatory reporting requirements or material negligence in the execution of our activities.	Adherence to regulatory requirements.	The Bank adopts a zero-tolerance approach to conduct risk and any breach will immediately trigger a conduct incident for investigation. The Bank maintains processes that focus on fair customer outcomes, including metrics on staff performance, training, customer feedback and complaints management.
Financial Crime Risk The risk is that financial, reputational and other losses may arise from onboarding or transacting with customers, supporting our customers and on our	Adherence to regulatory requirements.	Performing the requisite checks on all customers, including money laundering, sanctions, terrorism financing, bribery and corruption and facilitation of tax evasion.

Risk Category	Strategic Activity	Mitigation
own, when in doing so, we may be dealing with confirmed or suspected proceeds of crime.		
Capital Risk The risk is that the Bank could have insufficient capital to withstand an extreme but plausible loss and might expose its customers, internal and external stakeholders and shareholders to losses.	To accept deposits and lend to customers, banks are required to hold minimum levels of high-quality capital.	• Maintaining robust controls for Pillar I and II reporting. • Performing a comprehensive annual assessment of all material capital risks under our Internal Capital Adequacy Assessment Process (ICAAP). • Planning to meet capital requirements on a forward-looking basis, formally assessing confirmed and potential changes in regulatory rules. • Maintaining an appropriate internal capital buffer over and above fully loaded regulatory requirements to protect the Bank against unexpected losses or to support risk-weighted asset growth. • Performing regular stress testing and scenario analysis to test any potential vulnerability that could cause the Bank to breach its risk appetite and any regulatory requirement.
Liquidity Risk The inability to meet expected or unexpected cash flow needs while continuing to support our business and customers under a range of economic conditions.	Originating loans and accepting deposits means significant movement and transfer of funds.	• Maintaining a sufficient portfolio of highly liquid assets to absorb liquidity shocks. • Performing a comprehensive, annual Internal Liquidity Adequacy Assessment Process (ILAAP) assessment of all material liquidity risks to meet all internal and regulatory buffers on an ongoing basis. • Monitoring the Bank's liquidity position daily. • Performing regular stress testing and scenario analysis to test any potential vulnerability that could cause the Bank to breach its risk appetite and any regulatory requirement.
Reputational Risk Damage to our reputation and brand due to the actions of the Bank itself or indirectly via actions of employees, suppliers and other parties.	Building a strong brand with customers, the regulator, and counterparties.	• Maintaining a clear and well-articulated reputational risk policy requirement to which all colleagues must confirm their understanding and adherence. • Ensuring that the relevant committee considers the reputational impact of changes to products, systems and controls. • Zero appetite for reputational risk resulting from inappropriate judgement in acting, transacting or participating in events which may cause detriment or actions of material negligence in the execution of our activities. Any reputational risk will immediately trigger an incident for investigation and subsequent actions.
Model Risk Model and spreadsheet risk is the potential for adverse	The Bank has several models, which are either built in-house or outsourced	• The Model and Spreadsheet Policy of the Bank requires that all models and spreadsheets are risk assessed that key person dependencies around material models or spreadsheets are managed effectively and that an annual assessment of

Risk Category	Strategic Activity	Mitigation
consequences from errors or the inappropriate use of outputs to inform business decision.	to vendors. These models are subject to model risk. Any adverse consequences could lead to non-compliance with prudential regulation, financial position could be impacted or damage to the bank's reputation. The risk can also lead to financial loss, as well as qualitative limitations.	models and spreadsheets is performed by the 2nd Line of defence to provide assurance to the Board on the compliance with this policy. • An independent validation of the critical or high-risk models is also performed annually.
Geo-political and Disruption Risk The bank is exposed to uncertainties arising from geo-political issues and macro-economic outlook in the regions of our operation.	Geo-political and macro-economic issues have heightened in the recent past and are likely to have an impact on the Bank's operations. Some such issues are: - **Red Sea crisis** – Ongoing military standoff by Iran against Israel. This has an impact on trading, as majority of the shipping companies suspended using that route due to the attacks. - On-going war between Russia and Ukraine since 2021. - Monetary and fiscal policy reforms by the newly elected Nigerian President, which resulted in significant Naira devaluation. Heightened global inflation leading to rising interest rates.	• The Bank performs stress testing across various portfolios including corporate, institutional and private banking. This enables the Bank to understand the impact of these macro-economic events and take right decisions.
Change Management Risk This is the risk of poor management and implementation of a change initiative which leads to poor outcomes,	The Bank is undertaking several regulatory change initiatives in the areas of risk culture and governance, culture change, equality diversity and inclusion and other non-regulatory projects.	• The Bank employs one of the top consultancy firms to assist on the various change initiatives and projects. • Project working groups are set up at management level to oversee change initiatives. • Board steering committees are also in place to provide overseeing on various regulatory change initiatives.

Risk Category	Strategic Activity	Mitigation
increased organizational costs or lost opportunities.		
Third party risk Service delivery is impacted by external vendors who performs critical services for the Bank.	The Bank has critical third-party vendors that exposes it to additional external risks.	• Vendor criticality assessment upon on-boarding. • Regular reviews dependent on vendor risk profile. • Monitor effectiveness of controls performed by outsource partners and adherence to service level agreements.
Regulatory Changes or Intervention	The financial sector is exposed to many changing regulatory requirements and/or interventions e.g. consumer duty. The Bank's risk arises from non-compliance with or non-implementation of the regulatory requirements. Furthermore, changes to regulatory rules could negatively impact the Bank's strategy and business model.	• Maintaining a well-defined and embedded process for regulatory and legislative horizon scanning and preparation for confirmed and potential changes. • Monitoring regulatory websites for the latest guidelines and regulatory interpretations to mitigate operational missteps and disclosure challenges. • Modifying governance arrangement to support achievement of conformance e.g product governance committee, consumer duty committee. • Project steering committees are in place to ensure implementation, compliance and embedment. • Liaising with the regulatory authorities, if necessary, to seek guidance.
Technology and Cybersecurity Risks	Technology and cybersecurity including information security risks remains significant and high-profile across all industries. Risks emerges from outdated and misunderstood technology. Cybercrime may result in financial loss, disruption for customers, loss of data, and reputational damage.	• Continuing to identify, manage, monitor and report its cyber strategy, to align with its IT strategy. • Regularly rolling out information security awareness campaigns across the Bank, • Strengthening identity and access management controls. • Increasing governance and monitoring.
Climate Change Risks	Climate change creates financial risks that are far-reaching in breadth and scope. The physical and transitional risks of climate change could create inherent	In line with PRA Supervisory Statement SS3/19 (Enhancing Banks' and Insurers' approaches to managing financial risks from climate change) the Bank has implemented a Climate Change Risk Management Framework. The objective of the Framework is to assess the potential business, strategic and financial implications of

Risk Category	Strategic Activity	Mitigation
	default risk to the Bank's assets and operating activities portfolio.	climate change risk reflected through various forms of risks and to formulate strategies to identify, manage and report these risks. The Board is ultimately responsible for overseeing the implementation and embedding of the climate risk framework. A climate risk appetite has also been incorporated within the risk appetite of the Bank. There is no appetite for high climate change risk exposures. The Bank has assessed its climate change risk impact as being low on a 12-month forward-looking basis). The Bank has also commenced the process of incorporating climate change-related risk impacts into its stress testing scenarios in its risk management process, which are required to be performed at least annually or more frequently, when necessary. The Bank will continuously develop and enhance its methodologies in this emerging area of risk, by acquiring more data and information to improve on its key performance indicators.
Cloud Concentration Risk	Cloud concentration risk refers to the potential risk of becoming overly reliant on a single cloud platform, such that all critical data and applications are in one cloud environment and a single incident could endanger entire operation.	• The geographical concentration of Cloud Service Providers is all in stable and developed countries with strong privacy laws in place to avoid regulatory risk. • On-going risk assessment being carried out for cloud security and resilience, as well as cloud concentration.

4 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 working together, thinking it big and making it happen, being inclusive, taking ownership and showing we care and an approach that rewards performance against a balanced range of factors.

For the year ended 31 December 2023, 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 2023, SYSC 19D and the FCA statement on dual regulated firms. The Bank is classified as an unlisted 'Other' category firm, 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 433c 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 Independent Non-Executive Directors and one Non-Executive Director. 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 2023 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 2023, 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 2023, the Bank achieved a profit and therefore bonus funding was available and will be distributed in April 2024, according to rules approved by BNRC. Guaranteed bonuses are not offered as part of the Bank's current discretionary bonus arrangements.

For 2023, 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 2027.

The Remuneration Code requires that banks identify relevant senior and key roles and designate them as "Code Staff/Material Risk Takers". As at 31 December 2023, 31 staff were identified as Code Staff/Material Risk Takers. This included 3 Executive Directors, members of the 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 7: REM1 -Remuneration for material risk takers

The disclosures items below relate to awards relating to the year 2023 but not necessarily paid in the year.

	Business	Support	Total
No. of Material Risk Takers during the year	7	24	31
Year Ending 31/12/2023	$'000	$'000	$'000
Total fixed remuneration	3,676	3,888	7,564
Variable remuneration (cash)	299	424	723
Remuneration deferred to future years	122	317	439
Deferred remuneration from previous years	47	298	345
Long term incentive plan deferred to future years	94	212	306
Long term incentive plan payments relating to prior years	0	111	111
Discretionary pension contributions (ER)	0	0	0
Total	**4,239**	**5,250**	**9,488**
Variable remuneration as a % of total remuneration	13%	26%	20%

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 2024 for 2023, but not the remuneration benchmarking due to size.

Table 8: 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 2023		
		Business	Support	Total
All Staff	$24.841m	29	127	156

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