Company Registration No. 06621225

FCMB Bank (UK) Limited

PILLAR 3 DISCLOSURES

FOR THE YEAR ENDING 31 DECEMBER 2021

Contents

1. Introduction

1.1 Business Profile

FCMB Bank (UK) Limited (the "Bank") is a limited banking company incorporated and registered in the United Kingdom with company registration number 6621225. The registered address is 81 Gracechurch Street, London, EC3V 0AU. The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA (Financial Services Register number: 502704). It is a subsidiary of First City Monument Bank Ltd (FCMB), which is regulated by the Central Bank of Nigeria and a member of the FCMB Group PLC, a leading financial services group based in Nigeria.

The Bank is authorised to accept deposits from wholesale and retail customers and the details of its Part IV permissions are available at the URL below:

https://register.fca.org.uk/s/firm?id=001b000000MgGThAAN

The principal activities of the Bank include deposit-taking, trade finance, commercial lending, buy to let mortgages and treasury operations. The target customer base is drawn from the Institutional Trade Finance market in Sub-Saharan Africa, particularly Nigeria and other emerging market economies, the retail and corporate clients are mostly from Nigeria and the UK, many of whom have long established and successful relationships with FCMB Group and have a need to extend their dealings to London. Over the last eight years the Bank has also developed a customer base from other Nigerian banks, corporate and retail customers.

2.1 Basis of Disclosure

The Pillar 3 disclosures are unaudited and have been prepared by the Bank to meet the requirements of Capital Requirements Directive ("CRD") and to provide information in line with Articles 431 to 455 of Capital Requirements Regulations ("CRR") to the extent that this is not disclosed in the Audited Annual Report and Accounts of the Bank.

These disclosures are based on and derived from the same accounting and financial systems that are used in preparing the Audited Annual Report and Accounts of the Bank. The information has been internally reviewed and validated by the management.

The disclosures are provided in addition to the Audited Annual Report and Accounts. Given the size and simple business model of the Bank, it is our intention to continue to disclose the information on an annual basis.

2. Governance and Risk Management

2.1 Risk Management Approach

Based on its strategic business and operational objectives, the Bank is exposed to a wide range of risks such as credit, liquidity, market, operational, strategic and regulatory risks. The Board considers that effective and prudential risk management is critical to the achievement and sustainability of the Bank's strategic business objectives.

The Bank's risk management policies and practices are integrated and structured to identify, measure, monitor, anticipate and develop suitable mitigants to risks that may affect the fulfilment of the Bank's objectives.

2.2 Governance Structure

The Bank's risk appetite is set by the Board of Directors (the "Board"), who also approve the risk management policies, limits, tolerance and other measures of risk appetite. The Board has delegated responsibility for developing, implementing and updating these policies, control systems and limits to the executive committees and senior management team. The Bank operates a "Three Lines of Defence" model as part of its governance structure.

The Board, supported by various committees, provide appropriate support to assess the implications of the economic performance of the target markets, socio-political developments, and changes in the regulatory environment and sociopolitical trends in order to set the strategic direction of the business and risk management framework. They anticipate events so that corrective actions are taken in a timely manner.

2.2.1 Board Composition

The Memorandum and Articles of Association of the Bank specify that the number of Directors shall not be less than two and does not stipulate a maximum limit. The Board currently comprises nine directors of which three are Independent Non-Executive Directors (INEDs); three are Non-Executive Directors representing First City Monument Bank Ltd (the parent) of which one is an alternate director; one NED; and three Executive Directors (EDs).

The directors have a mix of relevant skills and banking experience. The Board is responsible for control and governance of the Bank and each director has specific responsibilities detailed in job specifications. The executive directors are responsible for the day-to-day management of the Bank and their individual portfolios.

To assist the Board in carrying out its functions and to provide independent oversight of the internal control and risk management framework, a substantial part of the Board's responsibilities is delegated to various Board committees such as the Audit and Risk Committee (BARC), Board Credit Committee (BCC) and Remunerations and Nominations Committee (REMCO). Each of the Committees is chaired by an experienced Chairman and comprises NEDs only. The Board is kept up to date on the activities of the committees through reports from the Committee Chair at each Board meeting. An annual Board effectiveness evaluation is carried out internally by the Bank and externally every third year. The Committees are accountable to the Board and do not relieve the Board of any of its responsibilities.

The Board is considering a possible reconstitution of its Board Committees in 2022 but the above structure and composition were operating as at the reporting date.

1. **Board Audit and Risk Committee ("BARC") -** The BARC supports the Board to ensure and monitor the adequacy, extent, and effectiveness of the internal control, corporate governance, and risk management framework. It reviews the relationship with the external auditors, including matters related to their independence and the scope of their audit; auditors' appointment and remuneration; to discuss any matters arising from the statutory audit and recommendations made by the auditor. In addition, it approves the internal audit plan and periodically reviews the findings of Internal Audit and management responses and progress in implementing recommendations made by the internal audit.

2. **Board Credit Committee ("BCC")** - The Board Credit Committee ("BCC") assumes responsibility for credit risk related matters including credit approvals, ECL and portfolio monitoring. It works with the Board Audit and Risk Committee in connection with the Board's oversight of the risk management processes as they relate to Credit Management and Loan Review. The Committee makes credit decisions under delegated authority from the Board.

3. **Remuneration and Nominations Committee ("REMCO")** - The REMCO determines the remuneration policy of the Bank and recommends to the Board on policy and structure for all remuneration and fees of Directors and senior management, where appropriate. The Committee is responsible to ensure that the Board remains balanced both in terms of skills and experience and between Executive and Non-Executive Directors. It is authorised to lead the process for succession planning, appointments to the Board, and make recommendations to the Board, ensuring there is a formal, rigorous and transparent procedure.

2.2.2 Board Meetings

The Board meetings are scheduled a minimum four times in a year to enable the Directors to regularly review corporate strategy, the operations and the results of the business and to discharge their duties within a framework of prudent and effective controls.

At times, discussions may take place outside formal Board meetings, and it is always ensured that the Board meetings are genuine and have open discussions with the chairman leading the way.

2.2.3 Management Committees

The Board has delegated the day-to-day management and business of the Bank to the Executive Directors and to the following management level committees:

1. **Executive Committee ("EXCO")** - The EXCO is mandated to take all steps necessary to conduct the day-to-day business of the Bank within the confines of the Board approved strategy, risk appetite, policies, operating plans, and budgets. It meets on a monthly basis and additional meetings are held as the work of the EXCO demands.

2. **Risk & Compliance Committee ("RCC")** - The RCC is authorised to review and monitor the risks the Bank is facing across its business lines, products and geographies against the Board approved risk appetite and more generally, to establish procedures and identify solutions to minimise or mitigate those risks. It meets on a monthly basis and additional meetings are held as the work of the Committee demands.

3. **Management Credit Committee ("MCC") -** The Management Credit Committee has been delegated the responsibility by the Board to oversee and scrutinise the Bank's credit risk. It meets on a monthly basis and additional meetings are held as the work of the Committee demands.

4. **Assets and Liabilities Committee ("ALCO")** – The ALCO has been delegated the responsibility to manage the Bank's market, liquidity and balance sheet (asset and liabilities) risks. It meets on a monthly basis and additional meetings are held as the work of the Committee demands.

5. **IT and Operations Committee ("OPCO")** - The OPCO is authorised to review, monitor and prioritises major IT and Operations projects. It also monitors the ongoing regular business operations of the Bank supporting and serving the various functional departments of the Bank and in line with the directives of the Board and regulations.

2.2.4 Informal Committees

As part of FCMB UK good governance strategy, the Bank initiates informal Committees or steering committees composed of high-level executives, subject matter experts, or stakeholders who provide strategic oversight and guidance to one or more projects or workstreams being undertaken by the Bank. Terms of Reference (TOR) are developed for such committees to determine their scope of their activities and reporting. Currently, the Bank operates a:

1. **Performance Management Committee ("PMC")** – The performance management committee is an informal forum to provide and discuss the weekly review of the Bank's financial position, capital usage, liquidity availability, cost of funds and pipeline transactions etc.

2. **Rova Steering Committee (Rova SteerCo)** – To provide strategic oversight towards developing digital and borderless banking retail customers, 'Rova', which has been initiated by the FCMB Group and incubated within the Bank. It consists of members of the Parent, Group and FCMB UK Board apart from the General Manager and other staff. It meets on a monthly basis

3. **Integration Committee** – This is an informal committee consisting of FCMB UK EXCO members and the 'Rova' implementation team and oversees the integration of the activities with the BAU of the Bank as the activities for the alpha, beta and actual launch of the mobile app-based product are progressing.

2.3 Assurance

Mazars LLP is the external auditor of the Bank who audit and sign off the Annual Financial Statements and other reports on an annual basis.

The Bank has outsourced internal audit to Crowe U.K. LLP ("Crowe"), a London based internal audit firm. They provide the Board, through the Audit and Risk Committee, and senior management with an independent and objective assessment of the risk, control and governance arrangements in place.

Crowe work to a Board approved Internal Audit Plan with a risk-based approach in order to independently assess the effectiveness and appropriateness of the internal control systems and provide assurance to the Board. Furthermore, Crowe has undertaken a self- assessment of their scope of activities in accordance with a Guidance Document, "Effective Internal Audit in the Financial Services Sector", prepared by the Institute of Internal Auditors. This is to ensure all risks are identified on an annual basis and the Internal Audit Plan is devised accordingly.

In addition, the Group Internal Audit carries out an annual audit as part of standard group practice and also as mandated by the Central Bank of Nigeria ("CBN"). The CBN) also undertake periodic inspections of the business. All reports are shared with the Bank's internal and external auditors and any recommendations made are followed up by management, being tracked through EXCO.

2.4 Integrated Planning Process

The Bank has in place an integrated planning process which is refreshed annually. This includes:

1. **Budget** – This is approved by EXCO & the Board
2. **3 Year Financial Plan** – This is approved by EXCO & the Board
3. **Internal Capital Adequacy Assessment Process ("ICAAP")** – Based on the Board approved 3 Year Financial Plan. Further detail included within Section 3.1
4. **Individual Liquidity Adequacy Assessment Process ("ILAAP")** – Based on the Board approved 3 Year Financial Plan. Further detail included within Section 4.5
5. **Recovery and Resolution Plan ("RRP")** – The Board is the ultimate owner of the RRP. As part of the approval process, the plan is reviewed and challenged by the Board at least annually, following ICAAP and ILAAP approvals. If there are any changes to the Bank's business model, strategy, environment or activities, an interim review is carried out and any resultant changes are incorporated into the recovery plan and approved by the Board. The RRP is also reviewed, challenged and approved by the BARC which is chaired by an independent NED, thereby ensuring the integrity of the corporate and risk governance oversight process. Senior management are responsible for overall day to day management of the Banks risks including capital and liquidity. The assigned management team retain responsibility for the day-to-day monitoring of risk limits, early warning indicators ("EWI" alerts) and limit breaches. In the event of a crisis, the Bank will activate its Crisis Recovery Committee (CRC), chaired by the CEO and comprising other ALCO and EXCO members, to evaluate the action steps required to contain a crisis event on the perceived basis of the nature, severity, and duration of the situation. Planning for Recovery and / or Resolution is jointly owned by the Deputy CEO and CFO.
6. **Wind Down Policy ("WDP")** – The Board is the ultimate owner of the WDP and as part of the approval process, the policy is reviewed and challenged by the Board at least annually. The WDP records the plan the Bank will follow in a solvent wind down situation.
7. **Pillar 3 Disclosures** – The disclosures are provided in addition to the Audited Annual Report and Accounts.

3. Capital Resources

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

The Bank manages its capital through an ICAAP and the Individual Capital Guidance (ICG) stipulated by the Prudential Regulation Authority (PRA). The capital adequacy is monitored regularly based on the business profile.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. Stress tests are carried out at least annually. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies, and processes from the previous years. However, they are under constant review by management.

3.2 Total Available Capital

The following disclosures are in accordance with the requirements of the Capital Requirements Directive and as submitted to the PRA and do not reflect any adjustments to the financial statements which are not considered to be material.

$'000	2021	2020	2019	2018	2017
Share capital	48,900	48,900	48,900	48,900	48,900
Retained earnings	-5,459	-5,200	-4,908	-6,380	-7,647
AFS reserves	-101	-	-	-	-
Intangible assets	-425	-434	-538	-258	-175
Tier 2 capital	5,000	3,000	Nil	Nil	Nil
Total regulatory capital (CAR)	**47,915**	**46,266**	**43,453**	**42,262**	**41,078**
Required capital including buffer	43,048	33,180	35,646	26,302	15,386
Surplus Capital	4,867	13,086	6,393	14,479	24,573
Risk weighted assets	225,003	158,682	160,640	117,543	63,085
Tier 1 capital ratio	17%	25%	23%	30%	54%
Total capital ratio	19%	26%	23%	30%	54%

Tier 1 capital is comprised of 48,900,000 issued and fully paid at $1 each share and retained earnings. Tier 2 capital is comprised of 10-year fixed rate subordinated notes.

3.3 Minimum Capital Requirements

$'000	2021	2020	2019	2018	2017
(8% of Own funds requirement)					
Credit Risk	18,000	12,695	12,851	9,403	5,047
Central Governments and Central Banks	2,239	662	1,610	438	400
Corporate	2,890	351	1,341	642	488
Personal and Business Banking	609	363	176	0	0
Financial Institutions	11,688	10,849	9,043	8,323	4,159
Public Sector entities	Nil	Nil	Nil	Nil	Nil
Short term claims on institutions	Nil	Nil	Nil	Nil	Nil
Other items	574	470	681	Nil	Nil
Market Risk	524	194	857	653	99
Operational Risk	1,337	1,210	979	838	758
Total Pillar 1 Capital	19,861	14,099	14,687	10,894	5,904

4. Risk Appetite

4.1 Risk Appetite

The overarching appetite remains embedded within the Bank's strategy and is to avoid losses in all aspects, whilst recognising that losses are an inevitable consequence of doing business albeit it is managed and monitored within pre-defined tolerance limits. To this end the Bank continues the desire for sustained diversified growth through the provision of services and efficient deployment of funds in products and geographies that we understand. Ultimately, the Bank's aim is to deliver good customer outcomes with healthy returns commensurate with the risk and reward dynamics.

The Bank operates under a Risk Management Framework ("RMF") which is reviewed and approved annual by the Board. Tolerances and EWI, as well as actions when breaches occur or are expected are contained in a Risk Appetite Statement ("RAS") which is also reviewed annually by the Board and forms a key basis of medium and long-term planning.

4.2 Credit Risk

Credit risk is the risk of loss as a result of any counterparties failing to fulfill their contractual obligations. The Bank follows the 'Standardised Approach' to credit risk management as prescribed in the Capital Resources Requirements and Capital Requirement Directive IV. Credit risk is managed through credit approval processes; the credit approving authority structure; setting and monitoring of prudential exposures and country/counterparty limits; portfolio management and risk-based pricing.

The Bank has an exceptionally strong record with regard to credit quality. As of FYE 2021 almost all assets were classified as Stage 1: there was one exposure in Stage 2, and no exposures in Stage 3 (i.e. no non-performing loans). There have been no material credit losses suffered over the 9 years the bank has been operating.

Provisions are made in line with the requirements of IFRS9. Management considers those provisions provide adequate cover for the Bank's credit risk. The Bank has developed a model for the calculation of its Expected Credit Loss with the assistance of outside consultants. It has been customised to match the Bank's own business profile, whilst drawing on credible external sources of data (where not available internally), such as probabilities of default, loss given default ratios and macro-economic forecasts. For the forward-looking element of the calculation the portfolio is split between Nigeria, other emerging markets and the rest of the world. These three categories each has its own set of macro-indicators that applies best to the region. The model is reviewed at least annually to ensure it continues to perform satisfactorily and statistical integrity is maintained. The model and its outputs are maintained by the Credit Department, with oversight from the Management and Board Credit Committees.

4.2.1 Exposures by Portfolio

The Bank monitors the performance of all credit exposures. It classifies an exposure as past due whenever a due payment of interest or principal is overdue. The Credit Department is responsible for monitoring exposures. If it has a concern as to whether an exposure may be at risk of default this is referred to the Management Credit Committee. Exposures are classified as impaired if there is a reasonable probability of default, in a manner consistent with IFRS9. As at the reporting date, the Bank had no impaired assets in its loan book.

The exposure by the class for the year end was as follows:

$'000	2021	2020	2019	2018	2017
Credit Risk					
Central Governments & Central Banks	45,786	14,438	30,148	8,025	15,000
Corporate	29,972	26,988	24,177	13,203	5,800
Financial Institutions	186,222	153,779	178,640	158,263	51,713
Public Sector entities	Nil	Nil	Nil	Nil	Nil
Retail	17,346	10,241	3,629	947	Nil
Short term claims on institutions	5,979	13,024	15,711	9,172	23,252
Other items	Nil	Nil	Nil	Nil	Nil
Maximum Exposure to Credit Risk	**285,305**	**218,470**	**252,305**	**189,610**	**95,765**

4.2.2 Geographical Distribution

The maximum exposure to credit risk by geographical regions:

$'000	2021	2020	2019	2018	2017
Sub-Saharan Africa	212,489	162,500	217,614	170,683	65,401
Rest of World	29,195	7,630	12,719	192	10,082
United Kingdom	41,764	40,436	9,861	17,008	8,212
United States of America	1,857	7,904	12,111	1,727	12,070
Maximum Exposure to Credit Risk	**285,305**	**218,470**	**252,305**	**189,610**	**95,765**

4.2.3 Internal & External Ratings

The Bank uses an internal risk scoring model mapped to the ECAI rating scale. These ratings are applied to all exposures. The ratings are mapped as follows:

Credit Quality $'000	Internal Rating	Moody's Rating	2021	2020	2019	2018	2017
Very Low Risk & Low Risk	1 to 9	Aaa to Baa3	23,582	33,117	30,173	18,138	20,279
Medium Risk & Acceptable Risk	10-16	Ba1 to Caa1	261,723	185,153	221,401	167,872	69,836
High Risk	17-19	Caa2 to C	Nil	200	731	3,600	5,650
Default	20	Nil	Nil	Nil	Nil	Nil	Nil
Unrated	n/a	Nil	Nil	Nil	Nil	Nil	Nil

Maximum Exposure to Credit Risk	**285,305**	**218,470**	**252,305**	**189,610**	**95,765**

4.3 Market Risk

Market risk arises from fluctuations in capital values of traded assets and income thereon, interest rates, exchange rates or market prices of commodities. The Bank follows the standardised method for calculation of Pillar 1 capital.

The Bank does not currently maintain a trading book. It holds a bond portfolio for liquidity and profit purposes which exposes it to related interest rate, credit, foreign exchange risks. The bonds are marked to market on a periodic basis determined by the term and maturity.

The bulk of revenues is based in US Dollars. The Bank executes forex contracts to manage its own inherent transactions as the majority of the Bank's cost is in GB Pounds.

4.4 Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events arising from day-to-day operating activities. Fraud, data compromise, IT disruption, and conduct would be examples of operational risk that the bank is exposed to. The operational risk requirement has been calculated using the Basic Indicator Approach (BIA). The operational risk is managed and mitigated in various ways including:

- Policies and Procedures
- Recruitment process
- Monitoring of losses and near misses
- Business Continuity Planning testing and monitoring
- IT Security and Health Report
- Regulatory monitoring

The Bank has only made one material write-off in its 8-year history, being $200k in 2020. This related to an operational risk event as a result of an alleged fraud.

4.5 Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

The overall objective of liquidity risk management is to ensure that the Bank has adequate liquid resources to meet its obligations as and when they fall due, at all times. It has in place a Board approved Individual Liquidity Adequacy Assessment Process ("ILAAP") that enables monitoring and management of the Bank's liquidity risk. The Bank's policy is to monitor liquidity risk metrics including the Individual Liquidity Guidance ("ILG"), wholesale mismatch gaps, buffer requirement, liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") along with other balance sheet ratios on a daily basis.

As noted in section 2.2.3, day to day oversight of liquidity risk and its monitoring is delegated to ALCO.

4.6 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. This results in Earnings at Risk and changes to the Economic Value of Equity.

A substantial part of the Bank's interests bearing liabilities and assets are at fixed interest rates. Fixed interest-bearing assets that the Bank might have on its balance sheet are short term discounted bills, refinanced letters of credit, money market loans, Eurobonds and US/UK/EU treasury bills and notes for HQLA purposes. The overall potential impact of the mismatches on the earnings are in the short-term and is being managed within the tolerance limits approved by the Board. The repricing characteristics of the Bank's assets and liabilities are mismatched and subject the Bank to interest rate risk.

Interest rate risk is managed principally through active monitoring of mismatch gaps and by having pre-approved risk appetite limits in accordance with the Pillar 2 principles on Interest Rate Risk in the Banking Book (IRRBB)

4.7 Cyber Security and Information Security Risk

Cyber Security has become an increasing threat to all businesses, and particularly those operating in Financial Service, who have become targets for ransom demands through denial-of-service attacks and those targeting information and data. The bank undertakes periodic reviews of all of its IT security aspects and updates its IT platforms regularly as soon as the Bank, its software / hardware providers or its advisers become aware of known vulnerabilities. Further, as detailed in section 6.2, the Bank is undertaking work on a revised cyber-resilience framework and strategy in light of feedback received from the PRA, with the help of external advisers. This will complement and enhance existing policies, including IT Policy and Strategy and RMF.

4.8 Financial Risks of Climate Change

The Bank has taken note of the expectations of the PRA in terms of managing climate change risks and initiated steps to address this in a proportionate manner based on the size and exposures. Broadly, the following action points are targeted:

4.8.1 Governance:

1. The Bank is in the process of revising its Risk Appetite Statement, seeking to align the thresholds and risk exposure limits and also start monitoring and managing the financial risks from climate change in line with risk appetite.
2. The Board of the Bank has identified and allocated the responsibility to the Executive Director and DCEO who is a SMF holder.
3. The Bank is mindful to ensure adequate resources, as and when necessary, and in the course of 2021 worked to develop adequate skills and expertise in the relevant personnel to manage the financial risks arising from climate change. A Climate Change Working Group, chaired by the SMF, has been formed to oversee this process.

4.8.2 Risk Management

1. The Bank, in the course of 2021, has incorporated the financial risks from climate change on a proportionate basis into existing financial risk management practice.

2. The Bank has included climate change risk in the Credit Policy and Process and will expand on this as the Bank's strategy evolves.
3. The Bank will also seek to identify, measure, monitor, manage and report on such exposures as part of the risk management framework.
4. The Bank will also arrange to include any material exposures relating to the financial risks from climate change in the Internal Capital Adequacy Assessment Process (ICAAP).

4.8.3 Scenario Analysis

1. The Bank will carry out scenario analysis proportionate to the exposures and risk appetite.

4.8.4 Disclosure

1. The Bank will make adequate and proportionate disclosures in the audited annual financial statements reflecting its evolving understanding of the financial risks from climate change.

4.9 Other Material Risks

Other material risks considered includes:

- Pandemic Risk (Covid 19)
- Business Risk
- Financial Resiliency
- Concentration Risk
- Regulatory Risk
- Conduct Risk
- Financial Crime Risk
- Group Risk
- Legal Risk
- Reputational Risks
- Strategic Risk
- Systems and Controls
- Earnings Risk
- Various other risks such as business continuity risk, macro and economic risks.

5. Remuneration Policy

In accordance with financial services regulatory requirements, the Bank has a remuneration policy in place. Under the UK Remuneration Code, the Bank is classified as a proportionality tier 3 level firm and as such has adopted a proportional approach, dis-applying certain provisions where appropriate, in accordance with regulatory guidance.

Quantitative Disclosures:

$'000	2021	2020	2019	2018	2017
Total Remuneration	6,867	5,797	5,621	4,765	3,505
Average Headcount	52	48	45	38	31
Fixed remuneration	6,388	5,797	5,185	4,340	3,257
Variable remuneration	479	Nil	436	425	248
Deferred cash award	Nil	Nil	Nil	Nil	Nil

The Bank is required to submit an annual High Earners Return to the PRA to advise them of staff whose remuneration is over €1m. The Bank does not have any staff who qualify as high earners under 9the definition of "High Earners" and therefore a nil return has been submitted for 2021.

6. Regulatory Projects and Change Initiatives

6.1 Operational Resilience

The Bank is undertaking a thorough Operational Resilience program in line with regulatory expectations, working with external consultants. The Bank had identified its important business services (including those that related to its Digital Borderless Banking division), mapped these services, reviewed vulnerabilities, established relevant tolerances and stress tested several scenarios. As a result, the Bank was able to finalise its Self-Assessment of its Operational Resilience state in March 2022. This has subsequently been shared with regulators.

The Bank continues to review its Operational Resilience Stance, with further refinement to its approach to IBS, planning for further scenario-based stress tests and ensuring that vulnerabilities are integrated into planning for business continuity and mitigations sought. In addition, all process changes are reviewed for their impact on Operational Resilience.

6.2 Cyber Resilience

In December 2021 and January 2022, the Bank undertook a thorough review of its Cyber Security posture, resulting in the creation of a Cyber Security Strategy encompassing the next three to five years. This built on feedback received from the PRA from its C-Quest and C-Best Thematic review documents, as well as expertise from both FCMB Group experts and external consultants. The strategy was approved by the Board in early 2022 and has developed significant traction to date in the way it is being implemented.

6.3 Zero / Negative Rates

At the start of the 2021 financial year, the Bank was already able to book transactions at zero rate, and further development was undertaken by our main software vendor to allow negative rates to be applied to the appropriate products. These changes were delivered, tested and completed in line with the regulator's expectations.

6.4 Regulatory Reporting Automation

The Bank has commenced a Regulatory Reporting Automation project and has engaged a third-party provider. The scope of this project is to automate the full suite of regulatory returns including; Financial Services Compensation Scheme (FSCS), tax reporting, COREP, FINREP, PRA, BoE & FCA reporting. This process is ongoing with expected completion in 2022.

6.5 LIBOR Transition

The Bank engaged Grant Thornton to help with the LIBOR Transition programme in order to achieve an orderly transition from LIBOR to Alternative Reference Rates (ARR). The Bank is on track with this programme and has an action plan in place to achieve the relevant milestones.

6.6 Climate Change

The Bank has taken note of the expectations of the PRA in terms of managing climate change risks and this is covered in Section 4.7.

6.7 Financial Resilience

In a Dear CEO Letter dated 12th January 2022 the PRA updated international banks active in the UK the priorities for 2022. These priorities complement the supervisory feedback in the Periodic Summary Meeting (PSM) of the firms. The Letter stated:

"As economies continue to be impacted by Covid-19, the resilience of the financial sector remains paramount to ensure that the financial system can continue to support businesses and households. The banking sector remains resilient to outcomes for the economy that are much more severe than the Monetary Policy Committee's central forecast in the Financial Stability Report, December 2021 but risks to the recovery remain. It is important that firms take proactive steps to assess the challenges of a changing economic environment. Many firms' earnings have benefited from the accommodative macro environment and supportive government measures in the past year. As this environment evolves, firms will need to assess the implications for the sustainability of their business models. This will be particularly important for those firms that have lost market share as certain sectors have become markedly more concentrated during the pandemic.

The economic recovery is likely to be uneven across sectors, so firms will need to closely monitor credit risk and traded risk within their portfolios, particularly as official sector support schemes are withdrawn. Alongside these cyclical issues, broader structural changes – such as an acceleration of digitalisation in the banking sector – could amplify challenges faced by individual firms as they recover from the impact of Covid-19. We will continue to engage with firms to assess the challenges these changes bring to the sustainability of business models.

The default of Archegos Capital Management last year also brought to light deficiencies in banks' risk management governance and frameworks, many of which were symptoms of a broader root cause and manifestations of an inappropriate internal risk culture where lessons from the global financial crisis had not been sufficiently learnt. Refer to the joint letter to banks operating in the UK: "Supervisory Review of global equity finance businesses following the default of Archegos Capital Management". This event further reinforced the need for firms to consider concentrated and leveraged exposures and to improve counterparty risk management. Assessing the risk culture and the incentives structures in place at firms, and the alignment of remuneration with risk management practices, will be a key priority of our supervisory work with firms engaged in equity finance and the broader prime brokerage business. In addition, the cross-border nature of this event highlighted the importance of global regulatory cooperation, a theme that will continue into 2022."

Summary highlight of implications:

1. Sustainability and resilience of the business model - as central banks taper huge stimulus programmes and interest rates are rising
2. Capital - PRA plans to ensure that firms are adequately capitalised
3. Liquidity – firms have sufficient liquidity for the risks they are planning to take (including diversification of funding sources)
4. Improvement in counterparty risk management
5. Managing concentration risks and diversification of asset exposures
6. Close monitoring of credit risk and traded risk

7. Challenge posed by structural changes in the market place through digitalisation
8. Risk management and governance and frameworks – ICAAP, ILAAP, RRP etc.
9. Risk culture
10. Incentive structure – alignment of remuneration with risk management
11. Consistent adoption of IFRS 9
12. Regulatory reporting and data collection
13. PRA wishes to ensure this through core supervision, delivering workplans following periodic meetings, technical risk reviews, and maintaining minimum requirements etc.

6.8 Funds Transfer Pricing

The Bank has commenced a project to implement a Funds Transfer Pricing ("FTP") solution in order to enhance its product pricing, liquidity and performance management. The Bank is reviewing proposals from consultants to help the Bank deliver this project.