FIDBANK UK LIMITED

FidBank UK Limited

Pillar 3 Disclosures 2024

Contents

Acronyms and Abbreviations

The following terms are used throughout these Disclosures:

ALCO	Asset and Liability Committee
Bank/FBUK	FidBank UK Limited
BACC	Board Audit and Compliance Committee
BCC	Board Credit Committee
BIA	Basic Indicator Approach
BCBS	Basel Committee on Banking Standards
BRC	Board Risk Committee
BRPC	Board Remuneration and People Committee
CRECO	Credit Risk Committee
C-SREP	Capital Supervisory Review and Evaluation Process
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CCO	Chief Compliance Officer
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CET 1	Common Equity Tier 1 Capital
CFO	Chef Financial Officer
COO	Chief Operations Officer
CRC	Credit Risk Committee
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRP	Credit Risk Policy
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
ECAI	External Credit Assessment Institutions
ERC	Executive Risk Committee
ERMF	Enterprise Risk Management Framework
EXCO	Executive Committee
FCA	Financial Conduct Authority
FX	Foreign Exchange
HQLA	High Quality Liquid Asset
IAF	Internal Audit Function
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
INED	Independent Non-Executive Director

IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
LCP	Liquidity Contingency Plan
LCR	Liquidity Coverage Ratio
MLRO	Money Laundering Reporting Officer
MRC	Management Risk Committee
MRT	Material Risk Takers
NPC	New Products Committee
NSFR	Net Stable Funding Ratio
PRA	Prudential Regulation Authority
RAS & TL	Risk Appetite Statement and Tolerance Limits
RCSA	Risk and Control Self-Assessments
RWAs	Risk Weighted Assets
SA	Standardised Approach
SREP	Supervisory Review and Evaluation Process
TCR	Total Capital Requirement

1 OVERVIEW

1.1 Introduction

FidBank UK Limited's ("FBUK" or "the Bank" or "we" or "us") is a UK registered Bank that is authorised by the Prudential Regulatory Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The bank trades as a single entity; it has no subsidiaries or associates. All decision making takes place in London and all transactions are booked in the London entity. The Bank is a single entity, and no prudential consolidation is performed.

This document comprises FBUK's Pillar 3 disclosures as at 31 December 2024, and has two principal purposes:

- To meet the regulatory disclosure requirements set out by Prudential Regulation Authority ("PRA") applicable from 1 January 2022 under the Disclosure Capital Requirements Regulation (CRR) part of the PRA Rulebook, and the Policy Statement (PS15/23), and
- To provide further useful information on the capital and risk profile of FBUK.

Additional relevant information may be found in the Annual Report and Financial Statements 2024, published on the Bank's corporate website (https://www.fidbank.co.uk/)

FBUK is a full subsidiary of Fidelity Bank Plc since July 2023, a fully-fledged commercial bank quoted on the Nigerian stock exchange and remains committed to serving its current customers and operating as a leading provider of specialised financial services to target clients with interests in both the UK and Africa.

1.2 Background

The Basel framework comprises three "pillars" which are designed to promote market discipline, of which Pillar 3 requires the disclosure of key information about risk exposures and risk management processes.

Pillar 1	**Minimum capital and liquidity requirements** Defines the rules for the calculation of credit, market, operational and liquidity risk to ensure that banks hold adequate resources against the risks they assume within their current business.
Pillar 2	**Supervisory review process** The process which requires firms and supervisiors to consider whether a firm should hold additional capital against risks considered under Pillar 1 that are not fully captured under the Pillar 1 process (e.g., credit concentration risk), factors not covered under the Pillar 1 process (e.g., business and strategic risk); and matters external to the firm (e.g., business cycle effects). FBUK performs an internal capital adequacy assessment process ("ICAAP") and an internal liquidity adequacy assessment process ("ILAAP") on at least an annual basis to assess the risk management processes in place and whether additional regulatory capital and liquidity over and above Pillar 1 should be held.
Pillar 3	**Market discipline** Pillar 3 complements Pillars 1 and 2 and aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess key pieces of information regarding a firm's capital, liquidity risk exposures, risk management processes, leverage, and remuneration.

The Disclosure (CRR) Part of the PRA Rulebook specifies disclosure requirements. Under these requirements, the Bank meets the definition of a non-listed "Other Institution" and complies with the requirements in accordance with Article 433c of the Rulebook. FBUK applies the Standardised Approach to both credit risk and market risk, the Basic Indicator Approach ("BIA") to operational risk and the Original Exposure Method ("OEM") rules for counterparty credit risk. Additionally, there were no specific methodologies granted by PRA.

1.3 Disclosure Policy: Basis and Frequency of Disclosures

The Pillar 3 Disclosure requirements are documented in the Capital Requirements Regulation ('CRR') and Capital Requirements Directive ('CRD'), which first came into effect on 1 January 2014, and in a number of other EU regulations and guidelines. In the UK, the CRR and other regulations have been incorporated into UK law. With effect from 1 January 2022, the PRA introduced a single source of disclosure requirements under the PRA Capital Requirements Regulation. These UK standards are being closely aligned with the global Basel Committee of Banking Supervision ('BCBS') standards and the European CRR standards

This disclosure document has been prepared by the Bank in accordance with the requirements of **Pillar 3** and regulatory guidance. Unless otherwise stated, all figures are as at 31 December 2024, our financial year-end.
The Bank's **Pillar 3** disclosures will be published at least once a year unless circumstances necessitate additional disclosures. Disclosures are prepared in conjunction with the annual statement of accounts and the regulatory filings.

FBUK Disclosure Policy for Basel III Pillar 3 Disclosures

a) **Information to be disclosed:** The Bank's policy is to meet all required Pillar 3 disclosure requirements as detailed in the PRA Rulebook. Also, tables provided in the disclosures below are based on the PRA's disclosures templates and instructions.
b) **Frequency:** The Bank's policy in line with Article 433c of the Disclosure (CRR) Part of the PRA Rulebook, is to publish the disclosures on an annual basis within a reasonable period of time of publication of the Annual Report and Financial Statements, which should be read jointly with this document. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.
c) **Verification:** The disclosures are not subject to external audit except where they are equivalent to those prepared for inclusion in the Bank's Annual Report and Financial Statements. These disclosures have also been subject to internal review and validation prior to being submitted to the Board for approval. The following levels of review took place prior to the granting of Board approval:
    1) At the Executive level by the Asset and Liability Committee (ALCO) and by the Credit Committee (CRECO).
    2) At Board level by the Audit Committee.
d) **Basis of Preparation:** This document has been prepared to meet the Pillar 3 disclosure requirements set out as per Article 433c of Disclosure (CRR) part of the PRA Rulebook. The Bank does not seek any exemption from disclosure on the basis of materiality, but the Bank has availed itself of the transition provision (detail in Section 5) in the Rulebook allowing it not to include remuneration disclosures under paragraph 7.1 of the Remuneration part of the PRA Rulebook.
e) **Medium and location of publication:** The Bank's Pillar 3 disclosures are published on the Bank's corporate website https://www.fidbank.co.uk/

1.3.1 Board responsibility for risk management and disclosures

A core objective of the Bank is the effective management of risk. The responsibility for identifying and managing the principal risks rests with the Bank's Board of Directors, who are also responsible for setting the Bank's strategy, risk appetite and control framework.

The risk appetite established by the Board incorporates a balanced mix of both quantitative and qualitative measures. The Bank's quantitative risk appetite measures include, but are not limited to Capital adequacy, Capital buffers, Liquidity limits, Liquidity buffers, Interest rate risk limits, large exposure limits, Loan to Security Value (LTV) limits and Credit Risk Rating limits. Qualitative measures include, but are not limited to, Managing reputational risk, Allocation of roles and responsibilities, and Regulatory compliance.

In accordance with the Disclosure part of the CRR and the Bank's Pillar 3 disclosure policy, the Bank is required to ensure that its external disclosures portray its risk profile comprehensively. The Board have considered the adequacy of the

Pillar 3 disclosures in relation to these requirements and are satisfied that they convey the risk profile of the Bank comprehensively.

1.3.2 Regulatory Developments

On 17 January 2025, the PRA delayed the UK implementation start date of Basel 3.1 from 1 January 2025 to 1 Jan 2027. FBUK have undertaken preliminary assessments of the impact of Basel 3.1, and it is not expected to materially adversely affect any of FBUK's key regulatory metrics. Although we do anticipate that there will be some changes to the RWAs which may impact upon our credit portfolio when the new regulation comes into effect.

In May 2023 the PRA issued a Supervisory Statement regarding model risk management principles, effective from 17 May 2024. The desired outcome of this Supervisory Statement is that banks take a strategic approach to model risk management as a risk discipline. FBUK is not directly in scope of the supervisory statement since it does not have internal model validation, however it continues to review the requirements and to apply them on a best-efforts basis as part of best practice risk mitigation.

1.3.3 SREP Update 2024

The Prudential Regulation Authority (PRA) completed a Supervisory Review and Evaluation Process (SREP) for FidBank UK Limited in June 2024. Their overall conclusion was that the overall quality of the Individual Capital Adequacy Assessment Process ('ICAAP') documents that formed the foundation of this review were appropriate for a firm of our size and complexity.. This year GT have conducted an LSREP audit on Fid bank in July 2025 to ensure we are compliant with the PRA requirements and have shared their findings and actions with target dates.

1.4 Key Metrics

The table below shows the key metrics for FBUK as at 31 December 2024.

		31/12/2024	31/12/2023
		£000's	£000's
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	55,029	57,034
2	Tier 1 capital	55,029	57,034
3	Total capital	55,029	57,034
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	133,310	60,485
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	41.28	94.29
6	Tier 1 ratio (%)	41.28	94.29
7	Total capital ratio (%)	41.28	94.29
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	4.83	4.41
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5	2.5
9	Institution specific countercyclical capital buffer (%)	0.87	0.44
10	Global Systemically Important Institution buffer (%)	N.A.	N.A.
11	Combined buffer requirement (%)	3.37	2.94
UK 11a	Overall capital requirements (%)	16.20	15.35
12	CET1 available after meeting the total SREP own funds requirements (%)		
	Leverage ratio		
13	Leverage ratio total exposure measure	282,725	191,191
14	Leverage ratio	19.45	29.83
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	47,549	42,026
UK 16a	Cash outflows - Total weighted value	78,145	72,135
UK 16b	Cash inflows - Total weighted value	58,609	54,101
16	Total net cash outflows (adjusted value)	19,536	18,034
17	Liquidity coverage ratio (%)	243.39	233.04
	Net Stable Funding Ratio		
18	Total available stable funding	139,028	96,123
19	Total required stable funding	65,648	28,663
20	NSFR ratio (%)	211.78	335.67

Notes:

1. The Bank has adopted the regulatory transitional arrangements for IFRS 9 as set out in Article 473a of the UK CRR. Capital and ratios presented above are under these arrangements.

2 RISK MANAGEMENT

2.1 Strategies and Processes to Manage Risks

FBUK's overall approach to managing its risks is captured in its Enterprise Risk Management Framework ("**ERMF**") which sets out at a high level, the Bank's approach to the management of all the perceived risks, both traditional and emerging risks, which the Bank faces in its business. The **ERMF** is updated and approved by the Board on a regular basis together with the Bank's Risk Appetite Statement ("**RAS**") which defines how much risk the Bank is prepared to take. More frequent reviews (as determined by the Board) are undertaken if there are significant changes to the Bank's business and risk profile.

2.2 Governance Model

The governance model deployed by FBUK is one where the Bank manages its risks through a combination of applying a comprehensive governance and policy control framework, strict lending criteria, a prudent investment policy for managing treasury activities and the Bank's liquidity, and a bank-wide "ownership" and active management of operational risk. Ultimate responsibility for identifying, monitoring and managing risk is held by the Board, the Board Risk Committee ("**BRC**"), the Board Credit Committee ("**BCC**") which is a sub-committee of **BRC** and the Board Audit and Compliance Committee ("**BACC**"). Other committees within the Bank, including the Management Risk Committee ("**MRC**"), Asset & Liabilities Committee ("**ALCO**") and Credit Committee ("**CRECO**"), assist the Board in achieving a framework for ongoing and robust risk management.

2.3 Three Lines of Defence Model

The Bank's Enterprise Risk Management approach is based on the "Three Lines of Defence" model, which means that the First Line, i.e., operational business units within FBUK, are responsible for ensuring they understand, mitigate and manage the risks they face and that they remain within the risk appetite set by the Board.

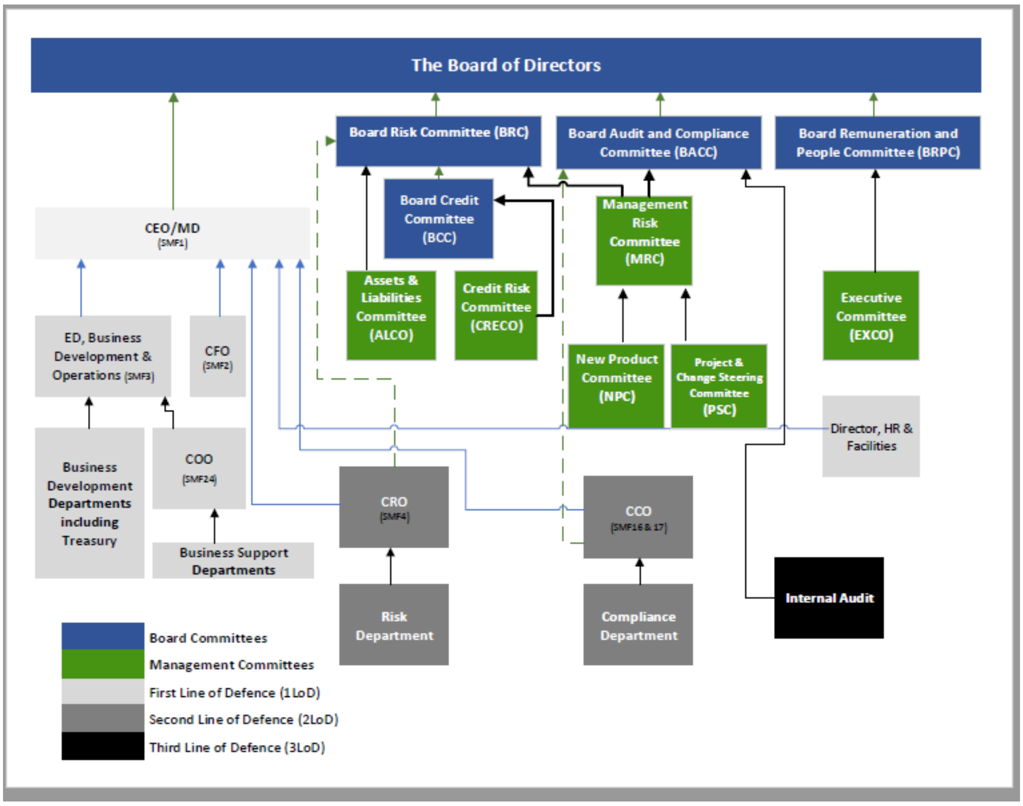
The Second Line, i.e. the Risk and Compliance units, monitor the First Line's management of its risks, monitor the risk controls and report on all risks to the Board. They also maintain the bank's Enterprise Risk Management Framework and policies and provide advisory services on risk and compliance matters within the Bank.

The Third Line is represented by the Bank's Internal Audit function ("IAF"), which is outsourced to Grant Thornton Advisory Services. Internal Audit remains independent and is not involved in day-to-day operations, but reviews and reports to the Audit Committee of the Board on a periodic basis and provides both a level of assurance that risks are well managed and also provide specific audit reporting as requested by the Board.

The risk management methodology used in FBUK and evidenced within the **ERMF** consists of Five key pillars:

- **Pillar 1** - Robust Risk Governance - provided by the Board, the committee structure of both the Board and Senior Management and the Bank's Policies
- **Pillar 2** - Risk Appetite - A robust and clearly defined process for setting the Bank's appetite/tolerance for risk while identifying all risks
- **Pillar 3** - Risk Identification and Assessment – which set out the approach, processes and structures to be followed to estimate the extent or severity of risks and their impact in the event of occurrence
- **Pillar 4** - Risk Control and Mitigation - provided by the First Line of Defence within the terms of the RAS, Policies, and procedures which minimise both the likelihood and the severity of risk events, and procedures to ensure that these controls are effective and are being complied with through various tools such as the Risk and Control Self-Assessment ("**RCSA**") process
- **Pillar 5** – Strong Risk Oversight and Assurance - both internally, and externally to Stakeholders and the Regulator, through the ICAAP, ILAAP, RRP and Pillar 3 provided by an independent Second Line of Defence and Internal Audit.

2.4 Risk Governance Structure



To facilitate the day-to-day business of the Bank and to ensure the Bank has a robust system for maintaining internal control, the Board has appointed a number of committees with terms of reference and delegated powers, as outlined below.

Board Committees	Principal Responsibilities
Board Risk Committee (BRC)	Monitor all Operational Risk issues and adequacy of systems and controls. Through the BCC sub-committee, consider credit proposals exceeding **CRECO** limits. Monitor compliance with the FBUK risk policies
Board Credit Committee (BCC)	The BCC is a sub-committee of BRC and considers all Credit related issues and those exceeding **CRECO** limits
Board Audit and Compliance Committee (BACC)	Monitor and assess financial statements and the performance of external auditors. Ensures compliance with legal and regulatory requirements
Board Remuneration and People Committee (BRPC)	Consider human resource policy, including compensation arrangements.
Executive Committees	**Principal Responsibilities**
Executive Committee (EXCO)	Oversight of the business, planning, performance, compliance and management of operational risk.
Management Risk Committee (MRC)	Principal focus on the monitoring and review of all of the Bank's risks, excluding capital, market and liquidity risks that are managed via the **ALCO**
Assets & Liabilities Committee (ALCO)	Overall management of bank's assets and liabilities Oversight of liquidity risk, market risk and operational risk management as described below.
Credit Committee (CRECO)	Credit decisions on mainly Bank & Sovereign exposures. Recommendations to **BCC** if outside authority. Credit decisions within authority, mainly on secured corporate credits. Recommendations to **BCC** if outside.

3 CAPITAL RESOURCES

3.1 Total Available Capital

The capital position for FBUK Plc as at 31 December 2024 is shown in the tables below. The capital position is calculated by applying the **CRD IV** rules, including the relevant transitional arrangements based on PRA guidance.

3.2 Tier 1 Capital

Tier 1 capital comprises of ordinary shares, deferred shares and retained earnings.

FBUK currently has no innovative Tier 1 instruments. Ordinary and deferred shares rank behind the claims of all subordinated debt holders, depositors, and creditors of FBUK.

3.3 Tier 2 Capital

The Bank has no tier 2 capital.

4 CAPITAL ADEQUACY

4.1 Risk Assessment and Capital Adequacy

Risk assessment and capital Adequacy for FBUK has been done by considering the Pillar-I and Pillar-II risks as per Basel II guidelines.

Type	Risk Type	Methodology	Capital Allocated	Justification
Pillar 1 Risk	Credit Risk	Standardized Approach	Yes	As per regulatory requirement
	Market Risk	Standardized Approach	Yes	As per regulatory requirement
	Operational Risk	Basic Indicator Approach	Yes	As per regulatory requirement
Pillar 2 Risk	Concentration Risk	Herfindahl Hirschmann Index (HHI)	Yes	Current concentrations result in capital requirement
	Interest Rate Risk in Banking Book (IRRBB)	NII / EVE Approach	Yes	Small exposure results in capital requirements
	Liquidity Risk	Liquidity Gap Approach	No	Adequate liquidity buffers
	Strategic Risk	Qualitative Assessment	No	Minimal risk level
	Reputational Risk	Qualitative Assessment	No	Minimal risk level

4.2 Capital Management

The Bank has adopted the ***Standardised*** approach to Credit risk, the ***Basic Indicator*** approach to Operational risk and the ***Standardised PRR*** rules for Market risk attributable to foreign exchange since 1 January 2008 in order to calculate the **Pillar 1** minimum capital requirement.

The capital framework which firms are required to apply is described below:

- Pillar 1 sets out the minimum capital requirements that firms are required to meet for credit, market, and operational risk.
- Pillar 2A Individual Capital Guidance ("ICG") sets out the requirements on firms regarding their ICAAP, internal procedures and control mechanisms.
- The Institution Specific Countercyclical Buffer ("CCyB") requires the firm to build up capital when aggregate growth in credit is judged to be associated with the buildup of system wide risk and can be drawn down to absorb losses during periods of stress (see Table 14 on page 37).
- Capital conservation buffer ("CCoB") is designed to enable firms to absorb losses in stressed periods (see Table 14 on page 37).

FBUK manages its capital levels by balancing efficient use of capital with prudence. The Board considers that this approach is consistent with the Bank's framework for capital adequacy, the need to preserve its competitive position in relation to capital requirements and the objective of maintaining and enhancing its reputation.

Capital requirements are measured on both a regulatory and economic basis. Regulatory capital covers all **Pillar 1** risks (i.e. Credit risk, Operational risk and Market risk) for all significant business areas. FBUK determines its minimum Capital requirements in compliance with the Capital Requirements Regulation, on a daily basis. Economic capital includes all other material risks (after recognising relevant mitigation), which do not require the provision of Regulatory Capital under **Pillar 1** (known as **Pillar 2** risks). As the Bank does not deploy a formal economic capital model, the approach adopted has been to consider individually additional Capital requirements for those risks not covered under **Pillar 1** (i.e. the so-called ***Pillar 1 plus*** approach). Additional risks are categorised into one of the following four main elements:

- Risks covered by Pillar 1 where **Pillar 1** Capital charges may be inadequate.
- Risks not fully covered by **Pillar 1**
- Risks not covered by **Pillar 1**
- Business / strategic risks

Individual risks and mitigants are then assessed, additional capital requirements considered, and methodologies developed to compute incremental capital charges where appropriate.

Both **Pillar 1** and **Pillar 2** Capital requirements are computed daily and circulated to senior management. Furthermore, on a quarterly basis the Board receive and review reports of capital adequacy, liquidity and other risks.

4.3 Internal Capital Adequacy Assessment Process

The Bank undertakes an Internal Capital Adequacy Assessment Process ("**ICAAP**") which is an internal assessment of its Capital needs. This internal assessment is made using the Pillar 1 plus approach as outlined above. The **ICAAP** is reviewed annually or more frequently should the need arise.

The **ICAAP** covers all material risks to determine capital requirements over a three-year horizon, given current business plans and related financial projections. The process includes the application of adverse scenarios and stress tests to the projections and material risks to satisfy the regulatory requirements. Where capital is not deemed to be an appropriate mitigate to a particular type of risk, alternative management actions are identified and described within the **ICAAP**. The outcome of the **ICAAP** is presented in an Internal Capital Adequacy Assessment document.

The **ICAAP** is reviewed and considered by **ALCO** before being presented for noting purposes to the **MRC** and then to Board with whom ultimate responsibility lies for challenge and approval. In relation to **Pillar 2** risks, the PRA has issued Individual Capital Guidance ("ICG"), expressed as an "uplift ratio" to be applied to the Basel minimum of 8%, which came into effect from 1 January 2008.

4.4 Minimum Capital Requirement: Pillar 1

FBUK's overall Pillar 1 minimum Capital Resource Requirement ("**CRR**") is calculated by adding the Credit Risk Capital Requirement ("**CRCR**") as set out in 4.4 below to that required for Operational risk using the *Basic Indicator* approach, the foreign exchange Position Risk Requirement ("**FX PRR**") element of Market Risk and Counterparty Credit Risk ("**CCR**").

The **FX PRR** charge is the amount of regulatory capital required to cover the risk of losses on open foreign currency positions arising from movements in the foreign exchange rate and is calculated in accordance with the requirements of latest Capital Requirements Regulation.

The Bank does not currently maintain a trading book but is looking to start one from 2025 primarily with a niche focus on Sub Sahara Africa fixed income securities and will not include any derivatives. This maybe on an execution only basis done on a riskless matched principal basis for global institutional investors or for the banks own book upto a maximum 90 day holding period to exploit pricing differentials in the market. However, it does use "de minimis" derivative instruments (mainly foreign exchange swaps /forwards) to hedge against its Sterling expenses and to facilitate customer activity. The Bank calculates its exposure to **CCR** using the mark-to-market method. This requires marking to market those contracts with positive values and obtaining a potential future credit exposure estimate for all open contracts by multiplying the notional principal, or underlying values, by the percentages in accordance with the Capital Requirements Regulation Article 274. These totals are added together in order to arrive at the exposure value which is then multiplied by 8%. At 31 December 2024, there were no such derivative contract outstanding.

4.5 Pillar 1 risk measurement approaches

Risk Category	Permissible Approach	FBUK Approach Adopted
Credit Risk	The Basel framework applies three approaches of increasing sophistication to the calculation of Pillar 1 credit risk capital requirements. The most basic level, the Standardized Approach (SA), requires banks to use external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are grouped into broad categories and standardized risk weightings are applied to these categories. The next level, the Foundation Internal Rating Based ('FIRB') approach, allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), but subjects their quantified estimates of EAD and loss given default ('LGD') to standard supervisory parameters. The third approach is the Advanced IRB ('AIRB') approach that allows banks to use their own internal assessment in determining PD and in quantifying EAD and LGD.	The Bank has considered both the Standardized Approach and Advanced Internal Rating Based approach. With consideration for the bank's existing internal capacity and systems, we have adopted the Standardized Approach (SA) given that it has a higher impact
Market Risk	Basel provides two options for calculating market risk capital requirements – The Standardized Approach (SA) and the Internal Model Approach (IMA). The IMA requires the use of value at risk (VaR) to measure market risk and determine the respective capital requirement.	FBUK has considered both The Standardized Approach and the Internal Model Approach, and as we do not internally use the VaR Model the Bank has adopted the Standardized Approach as most appropriate. For the Bank, Market Risk is primarily limited to interest rate risk, namely the risk that the value of the Bank's assets and liabilities, or its profitability, will fluctuate due to changes in interest rates. The Bank previously had limited material exposure to foreign currencies, but this has increased in 2025 due to new short-dated exposure taken in local Naira T-Bills.
Operational Risk	In 2017, the BCBS has introduced a single non-model-based method for the calculation of operational risk capital, the Standardized Approach (SA). This proposed replacing all three existing approaches for operational risk under Pillar 1: the Basic Indicator Approach (BIA), the Standardized Measurement Approach (SMA) and the Advanced Measurement Approach (AMA) from 1 January 2022. In 2022 the PRA issued CP16/22 proposing adoption of this BCBS methodology, but from 1 January 2025.	The Bank has considered both the prescribed Standardized Measurement Approach (SMA) and the Basic Indicator Approach (BIA) in its Operational Risk capital measurement. It has adopted the (BIA) given that it has a higher impact. The Bank has continued to develop and improve systems and processes to support its growth.

The following table shows both the Group's overall minimum Capital requirement and Capital Adequacy position as at 31 December 2024 (excluding PRA & CRDIV buffers):

Table 2: FBUK - Capital Requirement		
(USD'000)	**Dec 2024**	**Dec 2023**
Credit Risk (*Standardised* approach)	9,271	3,739
Operational Risk (*Basic Indicator* approach)	1,245	836
Market Risk (FX PRR)	147	264
Counterparty Credit Risk		
Pillar 2 Capital Requirement	6,439	2,667
Minimum Capital Resources requirement	17,102	7,506
Total Capital Resources (per section 3.1)	55,029	57,034
Excess of Capital Resources over minimum capital requirement	37,927	49,528

4.6 Minimum Capital Requirement: Credit Risk

The following table shows FBUK's overall minimum Capital requirement for Credit risk under the *Standardised* approach (expressed as 8% of the risk weighted exposure amounts for each of the applicable standardised credit risk exposure classes) as at 31 December 2024:

Table 3: FBUK – Minimum Capital Requirement under Standardised Approach		
Exposure classes *(USD'000)*	Dec 2024	Dec 2023
Central governments or central banks	688	-
Regional governments or local authorities	-	-
Multilateral development banks	-	-
Institutions	2,545	2,464
Corporates	4,958	882
Retail	16	8
Secured on real estate property	732	114
Short-term claims on institutions and corporates	-	-
Past due items	49	-
Other items	283	271
Credit risk minimum capital requirement	9,271	3,739

5 CREDIT RISK MEASUREMENTS, MITIGATIONS AND REPORTING

5.1 Credit Risk Overview

Credit risk is the risk that individuals, corporates, financial institutions and other counterparties will be unable to meet their obligations to the Bank, which may result in financial losses. Credit risk arises principally from the Bank's exposures to treasury counterparties (money market services and settlements), trade finance including, funded and unfunded risk participation and distribution, advising, confirming and discounting of letters of credit, handling trade related guarantees, standby-letters of credit, inward and outward documentary letter of credit, trade loans, documentary bills for collection, post-shipment refinancing for issuers of letters of credit, commercial loans, buy-to-let for residential and commercial properties, and bridge lending (via SPV model).The Bank has also recently started its Fixed Income Business in 2025 which is both within the Bank's Risk appetite and Target Market Risk Acceptance Criteria (TMRAC) mainly in Sovereigns whereby the Bank already has similar exposures through recent syndication transactions within Trade FI business.

The Bank has established risk appetite levels for each type of counterparty, which reflect its assessment of relative credit risk. Hence, these tolerance levels vary based on a number of factors such as geographic location, international ratings from Fitch Rating Agency and tenor of exposure. These appetite metrics are then used to derive maximum exposure limits as part of the overall governance framework to measure, mitigate and manage credit risk within the Bank's risk appetite.

5.2 Exposures – Credit Risk Mitigation

The Bank's gross and net credit risk exposures before and after credit risk mitigation (based on the definitions for regulatory capital purposes) as at 31 December 2024 is summarized as follows:

Table 4: 2024-Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

2024	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA
Sovereigns and their central banks	47,549	24,400	47,549	24,400	8,600
Non-central government public sector	-	-	-	-	-
Multilateral development banks	-	-	-	-	-
Banks	99,928	-	99,928	-	31,816
Securities firms	-	-	-	-	-
Corporates	102,705	24,757	50,036	16,684	61,975
Regulatory retail portfolios	269	-	269	-	202
Secured by residential property	12,388	1,365	12,388	1,365	4,565
Secured by commercial real estate	5,519	-	5,519	-	4,586
Equity	-	-	-	-	-
Past-due loans	664	-	613	-	613
Higher-risk categories	-	-	-	-	-
Other assets	3,556	-	3,556	-	3,556
Total	272,578	50,522	219,858	42,449	115,913

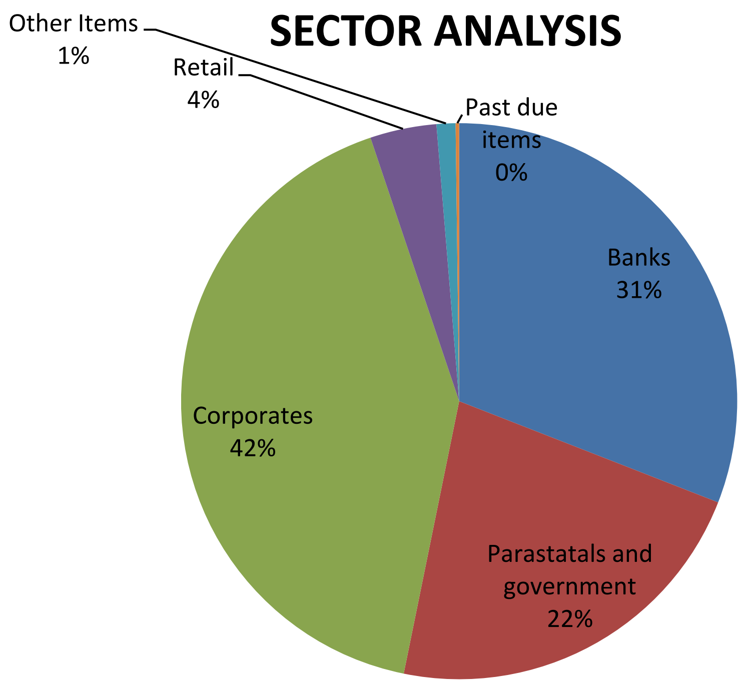
5.3 Exposures by Class

The analysis of the Bank's exposures by exposure class, broken down by counterparty, at 31 December 2024 and 31 December 2023 is as follows:

Table 5: Exposure by Class				
(USD'000)	Dec 2024		Dec 2023	
	Carrying Value	% of Total	Carrying Value	% of Total
Loans and advances to financial institutions				
Banks	99,929	31%	115,855	57%
Other Financial Institutions	-	-	-	-
Past due items	-		-	
Loans and advances to customers				
Parastatals and government	71,949	22%	42,026	21%
Corporates	134,521	42%	35,616	18%
Retail	12,481	4%	4,243	2%
Other items	3,556	1%	3,387	2%
Past due items	664	-	-	-
	323,100	100%	201,127	100%

The segment above indicates that exposures to Corporates is the largest proportion (42%) of the Portfolio as at 31 December 2024.

Classification as per sector/Industry



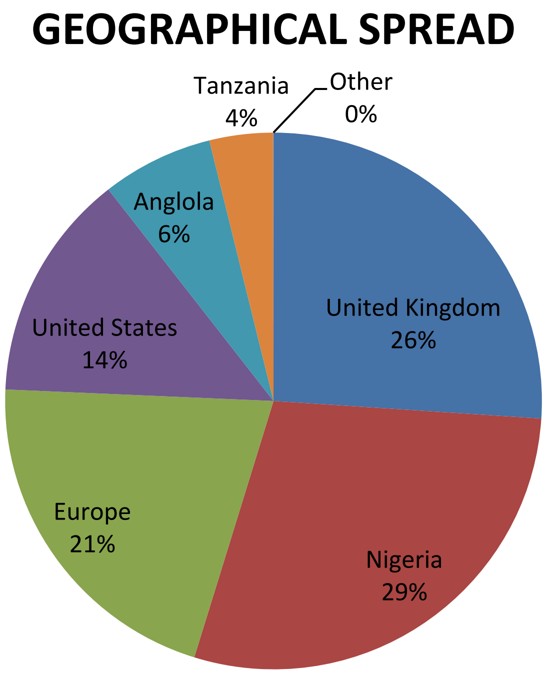
5.4 Exposures by Geography

The geographic distribution is analysed into significant areas by material exposure classes at 31 December 2024 and 31 December 2023 as follows:

Table 6: Exposure by geography																
(USD' 000)	United Kingdom		Nigeria		Europe		USA		India		Angola		Tanzania		Other	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Financial Institutions	44,761	60,562	-	-	55,138	44,477	-	-	-	21,009		-	-	-	29	24
Parastatal and governement	3,072	2,524	-	-	-	-	44,477	39,502	-	-	12,000	-	12,400	-	-	-
Corporates	19,643		92,788	31,238	12,429	4,378	-	-	-	-	9,661	-	-	-	-	-
Retail	12,475	2,922	6	1,321	-	-	-	-	-	-	-	-	-	-	-	-
Other	3,556	3,387	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Past due	645	-	19	-	-	-	-	-	-	-	-	-	-	-	-	-
	84152	69,395	92,813	32,559	67,567	48,855	44,477	39,502	-	21,009	21,661	-	12,400	-	29	24

Distribution of Credit Exposure by Geographical Region

Credit risk to counterparties in Nigeria is stated before offset of mitigation in the form of cash collateral held by the Bank.



5.5 Exposures by Maturity

The residual maturity breakdown of all the disclosures, analysed by exposure classes at 31 December 2024 and 31 December 2023 is as follows:

Table 7: Exposure by Maturity										
USD' 000	On demand		Within 3 months		Between 3 months and 1 year		Between 1 and 5 years		Over 5 years	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Financial Institutions	8,535	7,081	91,394	108,774	-	-	-	-	-	-
MDBs	-	-	-	-	-	-	-	-	-	-
Parastatals and government	-	-	43,877	32,176	28,072	9,850	-	-	-	-
Corporates	792	6,488	72,761	22,523	39,454	6,605	20,345	-	1,169	-
Retail	6	2	209	2	1,885	9	283	347	10,098	3,883
Other Items	2,256	1,714	-	-	325	335	975	1,338	-	-
Past due items	20	-	-	-	8	-	-	-	636	-
	11,609	15,285	208,241	163,475	69,744	16,799	21,603	1,685	11,903	3,883

Generally, Credit risk is managed and mitigated through the operation of FBUK's Credit Policy and its related Credit Procedures manual, which provide, *inter alia*, for

- Methodologies for measuring credit exposure, including the recognition of collateral security
- Methodologies for determining the maximum Exposure at Default (EAD) that will be tolerated for each major category of counterparty / customer
- Overall limits of authority for the approval of individual credit exposures
- The definition of acceptable collateral security and the extent to which the value thereof may be recognised for credit risk mitigation purposes
- Procedures for ensuring that facility conditions (including security perfection) are adhered to prior to disbursement of funds
- Processes for monitoring the status of credit exposures.

5.6 Exposures by Credit Quality Step - ECAIs & Treasury Counterparties

The Bank uses the External agency ratings (i.e. Fitch, Moody's, S&P) as External Credit Assessment Institutions ("ECAIs") to assess the credit quality of all exposure classes, where applicable, using the credit quality assessment scale in BIPRU 3.4. The Bank has complied with the credit quality assessment scale within BIPRU 3.4.

In the main, Credit Ratings are applicable to Treasury counterparties and certain emerging market banks as the majority of the Bank's corporate customers fall into the Small & Medium sized Entities ("SME") category and, therefore, do not carry international Credit Ratings. The Bank has adopted a conservative methodology as highlighted below:

- *When only one external rating exists; this shall be taken as the rating of the obligor.*
- When only two ratings exist, the worst of the two ratings shall be taken as the obligor rating.
- *When three different ratings exist, the median of the three ratings shall be taken as the obligor rating.*

For Treasury counterparties, the long and short-term ratings of ECAIs are one of a number of considerations that form part of the Bank's Credit assessment and limit assignment process within established risk tolerances.
In general, the Bank prefers to refer to long term senior unsecured ratings because it does not acquire assets that are issuer specific. In particular, the Bank does **not** hold any asset-backed securities or commercial paper issued by conduits, structured investment or similar financing vehicles.

The exposure values associated with each credit quality step are as follows:

Table 8: Exposure by Rating					
(USD' 000)		Exposure Value before mitigation		Exposure Values after mitigation	
		2024	2023	2024	2023
1	AAA to AA-	47,690	42,026	47,690	42,026
2	A+ to A-	60,352	41,661	60,352	41,661
3	BBB+ to BBB-	-	21,009	-	21,009
4	BB+ to BB-	39,436	25,445	39,436	25,445
5	B+ to B-	34,880	28,994	2,429	3,567
6	CCC+ to CCC-	43,865	-	17,359	-
Un-rated		96,213	41,992	94,429	41,432
Past due items		664	-	613	-
		323,100	201,127	262,308	175,141

5.7 Impairment Provisions

The Bank assesses on a monthly basis whether, as a result of one or more events that occurred after initial recognition, whether there is objective evidence that a financial asset, or group of financial assets, are impaired. Evidence of impairment may include indications that the borrower, or group of borrowers, are experiencing significant financial difficulty, default or delinquency in interest or principal payments or that debt is being restructured to reduce the burden on the borrower.

The Bank first assesses whether objective evidence of impairment exists individually for assets that are separately significant. A provision for expected Credit losses is made, and this is expected to cover the life-time losses of the asset. For assets that have no evidence of impairment, a provision is made covering a 12-month expected loss.
If such evidence of individual impairment exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the profit and loss account. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. The resultant provisions have been deducted from the appropriate asset values in the balance sheet.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised the provision is adjusted, and the amount of the reversal is recognised in the profit and loss account.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the profit and loss account.

The following tables show the provisions for impaired exposures:

Table 9: Counterparty type				
(USD' 000)	Impairment provision		**Impaired exposures**	
	2024	2023	2024	2023
Loans and advances to banks	-		-	-
Loans and advances to customers	51	-	664	-

In addition, the provision for impaired exposures is analysed by geographical location of the exposure below:

Table 10: Geographic breakdown				
(USD' 000)	Impairment provision		**Impaired exposures**	
	2024	2023	2024	2023
Nigeria	19	-	19	-
UK	32	-	645	-
Europe	-	-	-	-
USA	-	-	-	-
India	-	-	-	-

The following table summarises the movement during the year in impairment provisions. Further information on the charge to the profit and loss account for provisions and more detailed analysis is included in note 20 in the Annual Report and Financial Statements:

Table 11: Movement in impairment / ECL provisions						
(USD' 000)	Individually assessed		**Portfolio assessment**		**Total impairment**	
	2024	2023	2024	2023	2024	2023
Opening balance	140	273	-	-	140	273
Increases / (releases) in provisions						
Amounts repaid/written off	(136)	(246)	-	-	(136)	(246)
Change in assessment method						
Restated through retained earnings						
Increase/(Decrease) in ECL	11	(12)	-	-	11	(12)
New financial assets originated	765	125	-	-	765	125
Closing balance	780	140	-	-	780	140

The Bank's approach and methodology for the requirements of IFRS 9 are outlined in FBUK's Annual Report and Financial Statements for December 2024.

The amount of loan loss provisions charged in the Statement of Comprehensive income for the year amounted to a debit of $640,110.

5.8 Credit Risk Concentrations

The Board recognises that concentration of exposure, especially credit exposure to certain geographic regions or industry sectors increases risk, particularly in a down-turn in the economic environment of a particular region or economic sector. Given the Bank's historic parentage and the rationale for its business, the Board accepts concentration of exposure to Nigeria and West Africa generally. Hence, the only other concentration that is accepted arises from the placement of short-term funds in the London money market, which is inevitably focused on financial institutions located in G7 countries and major EU economies. It does not accept other concentrations to geographic regions or economic sectors where it does not have the same level of expertise as is the case with Nigerian business.

Nevertheless, the Board considers country, sovereign and economic sector concentration risks carefully and establishes limits, which are set out in the Credit Policy. FBUK measures geographical exposure on a daily basis which is circulated to senior management and also reported to the Board quarterly.

5.9 Credit Risk Mitigation

5.9.1 Placement of Surplus Funds with Financial Institutions (FIs) - Default Risk

The credit exposures relating to placement of surplus funds in the London money market are controlled through a limit system within the overall risk appetite for such counterparties. This limit system is largely based on the current long and short-term credit ratings of such FIs by Fitch Rating Services and the original tenor of exposures (up to 7 days, three months and one year respectively).

5.9.2 Dealing in Foreign Exchange - Settlement Risk

Nominal limits are established for both the gross open (unsettled) spot position and the settlement day position to mitigate risk with each counterparty. In the case of forward foreign exchange, potential mark-to-market exposure is controlled also through limits weighted according to the period to maturity of the forward contract.

5.9.3 Lending activities for Financial Institutions and customers

i. Nigerian Banks

Given its historic parentage, FBUK has specialised knowledge of the Nigerian banking sector. Risk arises mainly from trade related transactions and is mitigated not only by the establishment of limits individually approved at the Board level in accordance with its overall risk tolerance framework but also by sub-limits.

ii. Customers

The majority of FBUK corporate customers are SMEs and, therefore, do not have balance sheets that would support any material unsecured lending. Consequently, authority to incur unsecured credit exposure is very limited without referral to the **BRC** and, therefore, the majority of credit exposures are secured in accordance with the Credit Procedure Manual where the types of security that may be accepted are detailed together with related security margins.

Pillar 2

The Board accepts that the concentration risk to the Nigerian economy is not reflected fully in the Pillar 1 capital requirements, which assume diversified credit portfolios in particular. Therefore, additional internal capital is provided for Nigerian credit exposures as part of the bank's use of the HHI index which tracks concentration.

5.10 Credit Risks – Collateral and Other Mitigants

The Bank holds collateral against loans and advances to customers in the form of cash security, mortgages over tangible assets and guarantees. Collateral is not generally held over loans and advances to banks, except in respect of the confirmation of certain letters of credit. The Bank also offsets a proportion of its counterparty credit risk through the holding of legally enforceable netting agreements.

Collateral in the form of tangible assets is subject to margin requirements that are set out in the CPS. The margin requirement is determined by discounting the professionally appraised value of the asset concerned to an assumed "Forced Sale Value" ("FSV"). The FSV varies depending on a number of factors including the nature of the asset, its geographic location and the volatility and depth of the market for the asset(s) concerned. In accordance with the Credit Policy, collateral is always formally documented and, where necessary, the enforceability is subject to legal opinions in relevant jurisdictions.

Also, in accordance with the Credit Policy, collateral is subject to regular professional valuation, the frequency of which depends upon the nature of the asset. The possibility of material change in the value of collateral held is considered at each annual review of a credit and, where considered necessary, valuation is updated outside the normal review cycle and the results reported to **CRECO**.

6 MARKET RISKS

6.1 Market Risk Overview

The objective of the Bank’s market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Bank's financial condition or results. Any currency risk arising from the Bank's commercial banking and lending activities in the banking book is managed within the Bank’s foreign exchange limits. The Bank’s spot and forward foreign exchange positions arise mainly from the residual amounts resulting from customer facilitation transactions. The Bank has also recently started using FX Swaps (GBP/USD) for liquidity management purposes since 2025 when Swap lines were established with approved counterparties.

Market risk exposures are generally calculated and monitored independently of each other. All market risks are monitored closely and regularly reported to the Assets and Liabilities Committee (**ALCO**) on a monthly basis.

6.2 Interest Rate Risk

The Bank is exposed to interest rate risk in its banking book due to mismatches between the re-pricing dates of assets and liabilities. The risk appetite is related to FBUK approved limits for 'maturity' gaps. The maximum 'gap' limits being subject to an assumed adverse parallel shift in the yield curve in each major currency of 200 basis points.

Interest rate risk is mitigated by adherence to policies, including 'maturity gap' limits, set out in the Market Risk Policy Statement. The actual 'maturity gap' positions are reported to **ALCO** on a monthly basis and the BRC quarterly together with the impact of stresses of 200 basis point adverse parallel shifts in the yield curve. From Q2 2025 we have implemented our IRRBB Framework which now covers duration, Yield Curve, Basis and Option risk and is aligned to regulatory requirements.

6.2.1 Interest Rate Sensitivity Analysis

Interest rate sensitivity analysis has been performed on the net cash flow interest rate risk exposures as at the reporting dates. A range of possible upward/downward movements in reference rates of 200bps has been assumed for the different currencies.

As interest rate risk in the banking book (IRRBB) is not captured within **Pillar 1**, an additional capital charge is computed under **Pillar 2** based on the impact of a 200-basis point adverse parallel shift in the yield curve.

6.3 Foreign Exchange Risk

The Bank does not maintain a trading book and, therefore, currency exposures arise only in the banking book positions. Currency positions mostly arise from any overnight residue from currency transactions on behalf of customers and the movement of sterling expenses into the Bank’s US dollar base currency.

Foreign exchange risk is subject to gross and net open position limits, which are established by the Board having regard to allocated risk appetite, which is low since no speculative activity in foreign exchange is authorised. Adherence to these limits is monitored daily by means of reports circulated to senior management.

The Bank’s Pillar 1 minimum capital requirement allows for foreign exchange risk through the foreign exchange Position Risk Requirement (PRR) - see section 4.3.

6.4 Wrong-Way Risk

Wrong-Way risk is defined by the International Swaps and Derivatives Association (ISDA) as the risk that occurs when "exposure to a counterparty is adversely correlated with the credit quality of that counterparty". In short it arises when default risk and credit exposure increase together. FBUK's use of ISDA's largely mitigates wrong way risk on its derivatives therefore, FBUK does not consider Wrong Way Risk to be a material risk to the business.

6.5 Foreign Currency Sensitivity

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in the Bank's financial assets and financial liabilities at the reporting dates. The sensitivity analysis provides an indication of the impact on the Bank's profit or loss of reasonably possible changes in the currency exposures embedded within the functional currency environment in which the Bank operates. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

The Bank believes that for each foreign currency net exposure it is reasonable to assume a 5% appreciation/depreciation against the Bank's functional currency. If all other variables are held constant, the tables below present the impacts on the Bank's profit or loss if these currency movements had occurred.

Table 12: Foreign Currency Sensitivity Analysis						
	STERLING (£)		**EURO (€)**		**OTHER**	
(USD' 000)	2024	2023	2024	2023	2024	2023
Net Foreign currency exposures	(1248)	383	16	(23)	20	69
Impact of 5% increase in FC:USD rate	(51)	(14)	(1)	1	34	2,121
Impact of 5% decrease in FC:USD rate	56	16	1	(1)	(34)	(2,121)

6.6 Liquidity Risk

The unexpected losses that arise as a result of liquidity risk are considered minimal because FBUK's liquidity policy is to hold a matched book at all times and long-term lending is presently largely funded by capital rather than customer deposits. Nevertheless, it is the policy of FBUK to hold a store of liquidity to act as a buffer and ensure compliance with liquidity regulatory ratios, in the form of short-dated liquid financial instruments (treasury bills, negotiable certificates of deposits etc.) against unexpected customer demand for funds. FBUK performs a detailed annual review of its future twelve-month liquidity requirements in line with the current regulatory requirements.

6.7 Business Risk

Due to their nature, certain short-term deposits received by the Bank show volatility. Therefore, the Board considers it appropriate to maintain a capital "buffer" to allow for short term increases in the credit risk component of the **Pillar 1** capital charge, which arises from the placement of these funds in the money markets.

6.8 Pillar 2

There exists implicit risk *tolerance* to losses that might arise on forced sale of such instruments. Therefore, an allocation of overall risk *tolerance* is made to liquidity risk based on the assumption of forced sale of such instruments and additional capital provided accordingly which is aligned to our ILG requirements.

7 OPERATIONAL RISKS

Operational risk is the risk of loss to the Bank resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks.

The Bank seeks to mitigate its operational risks using accepted operational risk management concepts and strategies including but not limited to:

- Identification of important or critical processes and potential points of failure, and ensuring that adequate controls are in place;
- Identifying and testing of key controls (“KRIs”);
- Identification, assessment and management of risk and controls under the RCSA;
- Operational resilience / business continuity planning including Disaster Recovery failover testing
- Escalation and reporting of operational incidents to ensure that timely actions are taken to resolve the incident, address the failure, and perform root cause analysis to mitigate the likelihood of recurrence including lessons learned follow ups.

The Bank’s objective is to manage operational risk to balance the avoidance of financial losses through the implementation of controls. For this purpose, the Board approves the Operational Risk Policy, which considers operational risk appetite in terms of both probability and severity of occurrence for each of the following major operational risk categories: -

- Climate Change Risk
- Change & Transition Risk
- Business Process Risk
- Controls Risk
- Clients, Products and Business Practices
- Operational Resiliency Risk
- Business Continuity Risk
- Third Party & Outsourcing Risk
- IT, Cyber and Security Risk
- People Risk
- Employment Practices & Workplace Safety
- Internal Fraud Risk
- External Fraud Risk
- Reputational Risk
- Legal Risk
- Financial Crime Risk (AML)
- Conduct Risk

The objective of the Bank is to reduce "residual risk" (i.e. the assessed risk after the application of controls) in each category so that it is no higher than the risk *tolerance* deemed acceptable by the Board.

To facilitate the monitoring of operational risk and to identify potential for unacceptable increase in risk above targeted levels, the Bank monitors operational risk through:

- a series of Key Risk Indicators (“KRIs”); and
- the recording and assessment of operational risk incidents.

The Bank also maintains insurance against employee fidelity and computer crime risks

The Bank uses the *Basic Indicator* approach to calculate the Operational Risk Capital Requirement. In this approach, a three-year moving average of gross income (defined as net interest income plus all other income) is regarded as a proxy for operational risk exposure and the capital charge is computed as 15% thereof - see also section.

Table 13: Operational Risk Capital Computation			
GROSS INCOME (USD'000)	2022 Year 1	2023 Year 2	2024 Year 3
Gross Income for the Three Financial year	3,971	8,800	12,135
Aggregate gross income (year 1 to 3)	8,302		
Beta factor	15%		
Operational risk exposure amount	15,566		
Operational risk capital charge	1,245		

7.1 Climate Change Risk[1]

Climate change creates risks that affect the financial system and the economy. These pose long term risks that the Bank needs to start to manage and mitigate now to avoid irreversible impact and significant financial impact. The Bank has taken note of the expectations of the PRA in SS3/19 in terms of managing the financial risks from climate change and has initiated steps to address this in a proportionate manner based on the nature, scale and complexity of the bank's exposures.

In order to meet the PRA's Supervisory Statement on 'Managing the Financial Risks from Climate Change' during the year, the Chief Risk Officer ("SMF 4") has created and embedded the following:

- A Climate Change Risk Policy, which follows the 5 Pillars approach of our Enterprise-Wide Risk Framework, and includes a mission statement setting out the Bank's overarching commitment and approach to climate risk.
- A Climate Change Risk Framework which sets out the Banks approach and practical application of the Climate Policy and provide a means for assessing the risks on particular business activities as relevant to the scope of our business and client base.
- A Climate Change Risk Assessment which is incorporated in Scorecards resulting in the counterparties internal rating
- Working with a leading specialist the Bank is using science-based carbon accounting to develop a Climate Risk Assessment to benchmark our own operations and CO2 emissions.

Following the new parental takeover of FBUK and the formation of a new Board, the Climate Change Strategy will be reassessed in relation to the new strategic direction and business opportunities, at which time they will be re-presented to the new Board for adoption.

Pillar 2

It is considered that the *Basic Indicator* approach generally reflects the Bank's operational risk profile and no pillar 2 capital is required

Other non-financial risks are also considered.

[1] These expectations are set out in SS3/19, 'Enhancing banks and insurers' approaches to managing the financial risks from climate change | Bank of England; and examples of best practice are set out in the 2022 Climate DCEO letter covering 'Thematic feedback on the PRA's supervision of climate-related financial risk and the Bank of England's Climate Biennial Exploratory Scenario exercise'. In 2023, the PRA also published a wider update on its thinking regarding climate and capital on climate-related risks and the regulatory capital frameworks, the Bank of England report on climate-related risks and the regulatory capital frameworks | Bank of England, for ongoing firm consideration.

7.2 Reputational Risk

Reputational risk is a real threat or danger to the good name or standing of the Bank and may directly impact the current and prospective earnings and enterprise value arising from negative stakeholder opinion.
The CEO has primary responsibility for managing reputational risk. The Bank recognises that some of the countries in which its counterparties operate results in an enhanced exposure to reputational risk. As a result, its principal defence against reputational risk is through adherence to its objectives of operating at all times in conformity with all applicable laws and regulations including sanctions and anti-money laundering requirements.

The Bank has implemented a range of initiatives to mitigate its exposure to reputational risks, which include Strategic alignment including Board oversight and integration of risk management into strategy setting, effective communications and brand building;

- Cultural alignment built on corporate values, supported by appropriate performance management and a positive culture regarding compliance with laws and regulations;
- Positive, open and transparent stakeholder interactions and public reporting.

7.3 Financial Crime Risk

Financial Crime Risk is the risk that the Bank may be used to further financial crime activity by breaching financial sanctions, laundering the proceeds of crime, terrorist financing, proliferation financing, fraud, tax evasion, offering or accepting bribes or being used to channel funds from corrupt practices.

The Chief Compliance Officer and Money Laundering Reporting Officer (CCO and MLRO) reports to the BACC and is responsible for:

- Implementing an anti-financial crime risk management framework designed to mitigate the risk of the Bank being used as a vehicle to facilitate financial crime and breaches of sanctions applicable to the Bank.
- Ensuring that any occurrences which give reason to suspect money laundering, or the financing of terrorism are identified and reported to the relevant authorities;
- Maintaining effective policies, systems and controls to combat and identify financial crime.

The Bank has invested in enhancing both the quantity and calibre of resources in the first line who are responsible for ensuring compliance, subject to oversight, and in the case of higher risk cases, additional due diligence by the second line compliance team.

7.4 Regulatory Compliance Risk

Compliance Risk is defined as the risk of regulatory enforcement, material financial loss, or loss to reputation that the Bank may suffer as a result of a failure to comply with applicable laws, regulations, internal policies, codes of conduct and standards, responsibility for which has been allocated to the Compliance Department. In the context of the Bank, this encompasses primarily regulatory requirements in respect of Regulatory Conduct Risk, Senior Managers and Certification Regime, Market Abuse and Fair Treatment of Customers.

The banks principal sources of Compliance Risk are –

- Enterprise-wide compliance risks including supervision and oversight, regulatory reporting and notifications, material outsourcing and/or failure to adequately implement existing and new regulatory requirements; and
- Business related compliance risks including the risk that the Bank fails to conduct its activities appropriately, which may include consumer treatment, conflicts of interest, and/or complaints handling, as well as managing client money and assets.

The Bank's objective is to comply with the letter and spirit of all applicable regulations and laws, and to embed a robust risk and compliance culture throughout the organisation.

The Bank seeks to minimise the risk of compliance failure by seeking to:

- Ensure an up-to-date understanding of regulatory requirements which need to be complied with.
- Ensure that procedures and controls are in place and designed to minimise the risk of breaching those requirements.
- Provide training for staff throughout the organisation aimed at promoting a good understanding of compliance.

7.5 Strategy and Planning Risk

Strategy and Planning Risk is the failure to align strategy and planning to achieve business objectives. The Bank's strategic plan continues to be formulated on the Bank's risk appetite and aims to deliver a safe level of growth in terms of revenue and quality assets. The bank seeks to mitigate these risks in the following ways –

- Challenge by 2LoD through the committees to ensure proposals are aligned to RAS and TM-RAC
- Key Summary & Horizon risks emerging identified which are regularly reported to the MRC and Board, providing a holistic view of risk across the Bank.

7.6 Governance Risk

Governance Risk is the failure to define an organisational structure that supports the taking and implementation of decisions. The Bank's principal sources of risk are transversal in nature and can be attributed to lack of adequate oversight. Day-to-day, the Bank seeks to mitigate its risks in the following way –

- Committee structure with clear terms of reference which outline the scope of the committee and the reporting required to support risk-informed decision making across the Bank.
- Bank wide policies are approved by the necessary committees before they can go Live.
- Board training on key and technical areas to ensure that members have the knowledge and skills to provide adequate and independent oversight.

8 REMUNERATIONS

The aim of the FCA's Remuneration Code ("the Code") is to ensure firms have remuneration policies which are consistent with sound risk management.

This is achieved by regulating the remuneration structures of designated staff employed in Banks through the application of rules designed to prevent short-term practices influenced by the prospect of receiving a bigger bonus at the end of a financial year period.

This statement sets out the disclosures required under the Code as they apply to FidBank UK Limited for the twelve-month period to 31 December 2024

At 31 December 2024 the Company qualifies as a Proportionality Level 3 firm under the Code.

The Bank's Board Remuneration and People Committee (BR&PC) is responsible for the implementation of the Code and the annual review of the Bank's adherence to it. At 31 December 2024 the Committee was made up of five non–executive directors comprising of the Board Chairman, three independent non- executive director (INEDs) and one non-executive director appointed by the shareholder. The independent non-executive directors are regarded as being independent of the Bank and all non-executives possess the necessary skill, experience and sound judgement necessary to demonstrate that decisions taken are consistent with the Bank's financial situation and future prospects.

Two members of executive management, who are also Executive Directors attend BR&PC meetings for the purpose of briefing the Committee. The Bank's head of Human Resources also attends the meetings.

There was no requirement to table the Company's Remuneration Policy Statement for the financial year ended 31 December 2024 to consider compliance with the code as no variable pay was awarded for the financial year in view.

The Company will continue to operate a discretionary performance award bonus scheme for the benefit of its employees. Performance awards under the Bank's bonus scheme qualify as "variable remuneration" as defined by the code. The total pool available is linked to risk-adjusted shareholder return. In addition, the Committee takes due regard of the latest financial, capital and liquidity projections consistent with the ICAAP and ILAAP. The size of the pool is linked to the Bank's financial performance at the end of the year and is based on the allocation of a target bonus pool (i.e. the potential available bonus pool for distribution if the Bank meets its budgeted Profit Before Tax ("PBT"). To achieve the target bonus pool, a predetermined percentage of basic salary for each grade within the Bank is allocated to the pool. The target bonus pool is reduced linearly down to zero if PBT is below budget and may increase, at Board Committee's discretion, if the Bank's PBT is above budget. As individual staff bonuses are not based on volume related criteria, there is no incentive for employees to take unnecessary risks.

Where the Bank fails to meet its financial target, any award would be at the discretion of the Board Committee. In the past this has meant in years of weak performance or loss making, no bonus has been paid. In addition, since approved targets have historically been challenging, the bonus pool allocation has been modest with individual awards closely linked to agreed individual performance criteria which are based on quantitative and qualitative measures.
Traditionally bonuses are paid in April or May. The Bank does not currently operate a deferred bonus scheme. The Bank may enter into a deferred bonus buy out arrangement to secure a new joiner, but these are on a case- by-case basis, with the express approval of the Board Committee and Board of Directors.

The Code requires that all banks put in place a high-level framework to determine which staff within the firm are classified as code staff and Material Risk Takers. Additional restrictions apply to the remuneration of coded staff. A total of 15 senior staff and 7 Non-Executive Directors have been identified for the financial period, 3 of the 15 senior staff and 2 Non-Executives worked part year only. In addition, of the 15 senior staff, 2 were classified as Board executives of the Bank and 13 as Material Risk Takers. Of this latter number, 8 were within the Control Functions category at year end. All staff that serve on the Executive Management Committee and Board of the Bank fall into one of the above categories and are therefore coded. Within the code staff group, no individual has either a variable or total remuneration of more than £500,000.

The average number of staff employed by the Bank at 31 December 2024 was 54. Total staff employment costs in 2024 were USD 8,163,081 of which the employment costs of code staff were GBP 2,090,796 and pension costs amounted to GBP205,514.46.

Guaranteed retention awards are not part of the Bank's official strategy, nor does the Bank operate policies which guarantee variable remuneration. However, such payments may be approved by the Board in the interests of the business to provide for rare and infrequent events. Severance awards amounting to £98,562. were made during the financial period

9 OVERALL CAPITAL REQUIREMENTS

The Bank's total capital requirement (excluding PRA Buffer) as of 31 December 2024 is set out below:

Table 14: Capital Requirements		
Risk (USD'000)	RWA	Requirement
Credit Risk (Standardised approach)	115,913	9,273
Operational Risk (Basic Indicator approach)	15,566	1,245
Market Risk (FX PRR)	1,831	146
Counterparty Credit Risk		
Pillar 1	133,310	10,664
Pillar 2 Capital Requirement	-	6,439
Economic Capital (Pillar 1+Pillar 2)		17,103
Capital Conservation Buffer		3,333
Countercyclical Buffer Requirement		1,161
Tier 1 Capital	55,029	
Tier 2 Capital	-	
Total Available Capital (Tier 1+ Tier 2)	55,029	
Capital Adequacy ratio	41.28%	