Company Registration No. 06621225

FCMB Bank (UK) Limited

PILLAR 3 DISCLOSURES

FOR THE YEAR ENDING 31 DECEMBER 2019

Contents

For the year ended 31 December 2019

Introduction

For the year ended 31 December 2019

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 and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register number: 502704). It is a subsidiary of First City Monument Bank Ltd (FCMB), a member of the FCMB Group PLC, a leading financial services group based in Nigeria.

The principal activities of the Bank include trade finance, wholesale deposit-taking, personal and business banking, corporate and institutional banking, and treasury operations focussing on Sub-Saharan Africa with a particular interest in Nigeria. It also "receives and transmits" institutional client orders for Nigerian listed securities for execution on the Nigerian Stock Exchange through CSL Stockbrokers Limited, a subsidiary of FCMB Group Plc.

1.2 Basis of Disclosure

The Pillar 3 disclosures are unaudited and have been prepared by the Bank to meet the requirements of Capital Requirements Directive IV ("CRD IV") 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.

Governance and Risk Management

For the year ended 31 December 2019

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.

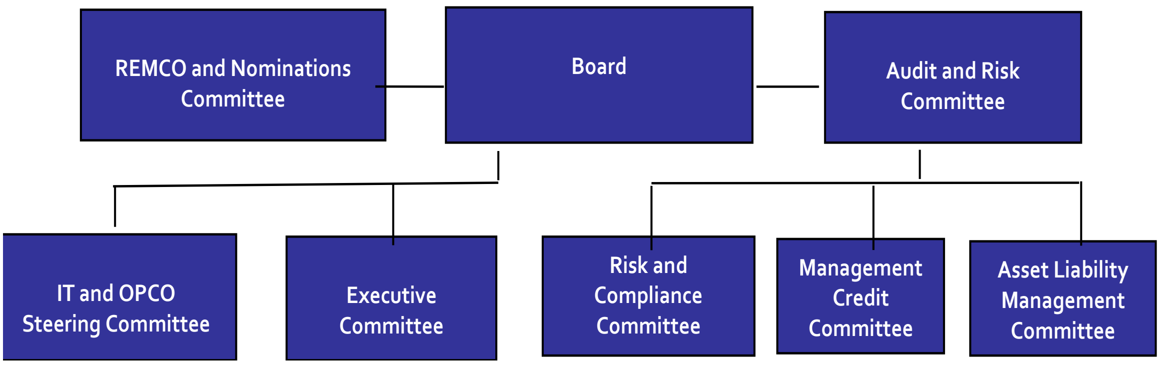
The Bank's risk management policies and practices are integrated and structured to identify, measure, monitor, anticipate and develop suitable mitigants to risks that may affect the fulfilment of the Bank's objectives.

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 Levels of Defence" model as part of its governance structure.

The Board, its committees and other management level 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.

The various committees are detailed in the chart below:



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 2 and does not stipulate a maximum limit. The Board currently comprises nine directors of which three are Independent Non-Executive Directors (INEDs); two are Non-Executives 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.

Governance and Risk Management

For the year ended 31 December 2019

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 are delegated to the Board's committees such as the Audit and Risk Committee (BARC), 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 Chairmen at each Board meeting. An annual Board effectiveness evaluation is carried out internally by the Bank. The Committees are accountable to the Board and do not relieve the Board of any of its responsibilities.

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. **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. 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.

Governance and Risk Management

For the year ended 31 December 2019

3. Management **Credit Committee -** 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 authorized to review, monitor and prioritizes 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.

2.3 Assurance

Mazars LLP is the external auditor of the Bank who audits and signs off the Annual Financial Statement and other reports on an annual basis.

The Bank has outsourced internal audit to Crowe U.K. LLP ("Crowe"), a London based 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.

A copy of the report is shared with the Bank's internal and external auditors.

Capital Resources

For the year ended 31 December 2019

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 Capital Available

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	2019	2018	2017	2016	2015
Common equity Tier 1 (CET1)					
Share capital	48,900	48,900	48,900	48,900	48,900
Retained earnings	4,908	-6,380	-7,647	-8,767	-9,171
Regulatory deductions from CET1					
AFS reserves	-	-	-	3	-11
Intangible assets	-538	-258	-175	-91	-166
Tier 2 capital	Nil	Nil	Nil	Nil	Nil
Total regulatory capital (CAR)	**43,453**	**42,262**	**41,078**	**40,045**	**39,522**
Required capital including buffer	35,646	26,302	15,386	14,657	16,093
Surplus Capital	6,393	14,479	24,573	25,388	23,429
Risk weighted assets	160,640	117,543	63,085	61,559	57,557
Tier 1 capital ratio	23%	30%	54%	55%	33%

Tier 1 capital is comprised of 48,900,000 issued and fully paid at $1 each share and retained earnings.

Capital Resources

For the year ended 31 December 2019

3.3 Minimum Capital Requirements

$'000	2019	2018	2017	2016	2015
(8% of Own funds requirement)					
Credit Risk	12,851	9,403	5,047	4,924	4,605
Central Governments & Central Banks	1,610	438	400	0	0
Corporate	1,341	642	488	59	151
Personal and Business Banking	176	0	0	0	0
Financial Institutions	9,043	8,323	4,159	4,865	4,454
Public Sector entities	Nil	Nil	Nil	Nil	Nil
Short term claims on institutions	Nil	Nil	Nil	Nil	Nil
Other items	681	Nil	Nil	Nil	Nil
Market Risk	857	653	99	24	15
Operational Risk	979	838	758	635	799
Total Pillar 1 Capital	14,687	10,894	5,904	5,583	5,419

Risk Appetite

For the year ended 31 December 2019

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.

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.

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. At present, the Bank has no impaired assets.

The maximum exposure by the class during the year was as follows:

$'000	2019	2018	2017	2016	2015
Credit Risk					
Central Governments & Central Banks	189,653	97,445	59,000	7,970	9,385
Corporate	24,177	13,203	5,800	747	1,899
Financial Institutions	178,640	158,263	51,713	87,629	88,839
Public Sector entities	9,565	Nil	Nil	Nil	Nil
Retail	3,629	947	Nil	Nil	Nil
Short term claims on institutions	15,711	9,172	23,252	Nil	Nil
Other items	Nil	Nil	Nil	Nil	Nil
Maximum Exposure to Credit Risk	**421,375**	**279,030**	**139,765**	**96,346**	**100,123**

Risk Appetite

For the year ended 31 December 2019

4.2.2 Geographical Distribution

The maximum exposure to credit risk by geographical regions:

$'000	2019	2018	2017	2016	2015
Credit Risk					
Counterparty Credit Risk					
Sub-Saharan Africa	217,614	170,683	65,401	53,543	62,007
Rest of World	12,719	192	10,082	14,251	14,122
United Kingdom	9,861	17,008	8,212	25,562	19,569
United States of America	181,181	91,149	56,068	2,989	4,424
Maximum Exposure to Credit Risk	**421,375**	**279,030**	**139,765**	**96,346**	**100,123**

Risk Appetite

For the year ended 31 December 2019

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	Fitch Ratings	Moody's Rating	2019	2018	2017	2016	2015
Very Low Risk & Low Risk	1 to 9	AAA to BBB-	Aaa to Baa3	199,243	107,557	64,279	41,951	34,126
Medium Risk & Acceptable Risk	10-16	BB+ to CCC+	Ba1 to Caa1	221,401	167,872	69,836	41,978	43,417
High Risk	17-19	CCC to CC	Caa2 to C	731	3,600	5,650	Nil	Nil
Default	20	D	Nil	Nil	Nil	Nil	Nil	Nil
Unrated	n/a	Nil	Nil	-	-	-	12,417	22,580
Maximum Exposure to Credit Risk				**421,375**	**279,030**	**139,765**	**96,346**	**65,393**

Risk Appetite

For the year ended 31 December 2019

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 maintain a trading book. It at times holds a bond portfolio in the Available for Sale ("AFS") book which exposes it to related interest rate, credit, and foreign exchange risks. The bonds are accordingly 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. 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

4.5 Liquidity Risk

Liquidity risk is the risk that the Bank, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. The Bank manages its liquidity in accordance with the Liquidity Adequacy Rules in the PRA Handbook. The Individual Liquidity Adequacy Assessment Process (ILAAP) which sets the liquidity risk appetite, tolerance limits for cumulative mismatches in net cash flows in the maturity ladder and liquidity stress tests for idiosyncratic, market specific and a combination of both. In addition, the Bank maintains a Liquidity Asset Buffer (LAB) consisting of highly tradable securities as prescribed in the Individual Liquidity Guidance (ILG) by the PRA. In addition to the ILAAP the Bank has a Contingency Funding Plan and a process for the oversight of liquidity risk management process.

4.6. Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates affects future profitability or the fair value of financial instruments. Interest rate risk at the Bank is limited as the Bank does not have long term or complex interest rate positions. Most of the assets of the Bank are on a floating rate of interest with a margin over LIBOR. The liabilities are in a mix of fixed and floating rate of interest. Various mitigants, such as matching maturities of assets and liabilities, identifying interest rate gaps, stipulating limits, monitoring market rate movements and covering cost of funds in the margin with LIBOR as a buffer are used to manage interest rate risk.

Risk Appetite

For the year ended 31 December 2019

4.7 Other Material Risks

Other material risks highlighted under Pillar 2 process includes:

- Business Risk
- Concentration Risk
- Conduct Risk
- Financial Crime Risk
- Group Risk
- Legal Risk
- Reputational Risks
- Strategic Risk
- Systems and Controls
- Various other risks such as business continuity risk, macro and economic risks.

Remuneration Policy

For the year ended 31 December 2019

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	2019	2018	2017	2016	2015
Total Remuneration	5,621	4,765	3,505	3.216	3,633
Average Headcount	45	38	31	29	24
Fixed remuneration	45	38	31	29	24
Variable remuneration	0	0	0	0	0
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 (€500,000 as at 31.12.2018). The Bank does not have any staff who qualify as high earners under the definition of "High Earners" and therefore a nil return has been submitted for 2018.