FNZ (UK) Ltd

Pillar 3 Disclosures

For the Year Ended 31 December 2020

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Glossary

Term	Definition
BCM	Business Continuity Management
BRC	Business Risk Champion
BRCC	Board Risk & Compliance Committee
BS	Balance Sheet
CCR	Counterparty Credit Risk
CET 1	Common Equity Tier 1
CFP	Contingency Funding Plan
CQS	Credit Quality Step
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Regulation (EU) No 575/2013
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
EBITDA	Earnings Before Income, Tax, Depreciation and Amortisation
ECAI	External Credit Assessment Institution
EU	European Union
ERO	Executive Risk Owner
ExCo	The Executive Committee
FCA	Financial Conduct Authority
FNZ	FNZ (UK) Ltd.
FNZ Group	Refers to the ultimate parent Kiwi Holdco Cayco, Ltd and its subsidiaries
FOR	Fixed Overhead Requirement
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
IFA	Independent Financial Advisors
IFPRU	Prudential sourcebook for Investment Firms
IFRS	International Financial Reporting Standards
IP	Intellectual Property
IT	Information Technology
KRM	Key Risk Measure
LRMF	Liquidity risk management framework
MEP	Management Equity Plan

Term	Definition
MI	Management Information
RAS	Risk Appetite Statement
RCSA	Risk & Control Self-Assessment
RE	Risk Event
RWA	Risk Weighted Assets
RMF	Risk Management Framework
RTS	Regulatory Technical Standards
SME	Subject Matter Expert
SLT	Senior Leadership Team
SREP	Supervisory Review and Evaluation Process
STP	Stress Testing Policy
The Board	The Board of FNZ (UK) Ltd
The Firm	FNZ (UK) Ltd
The Group	Refers to the ultimate parent Kiwi Holdco Cayco, Ltd and its subsidiaries
3LM	Three lines of defence model
TPA	Third Party Administrator
WIP	Work-in-Progress

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1. Overview of FNZ (UK) Ltd

FNZ (UK) Ltd (‘FNZ’ or ‘the Firm’) is authorised and regulated by the UK Financial Conduct Authority (‘FCA’) as an IFPRU €125k Limited Licence Firm. FNZ is a member of the Kiwi Holdco CayCo, Ltd Group ('the FNZ Group'). Following a change in majority ownership of the FNZ Group in 2018, the Firm's ultimate parent company is now Falcon Newco Limited (an exempted limited company formed under the laws of the Cayman Islands). The ultimate controlling party remains Kiwi Holdco Cayco, Ltd (an exempted limited company formed under the laws of the Cayman Islands).

FNZ partners with life companies, banks, asset managers and discretionary wealth managers to enable them to deliver wealth management services across three distribution channels; advised, direct and workplace. FNZ provides end-to-end technology, including front-office, tax wrappers and investment back-office under a software-as-a-service delivery model. This technology solution is combined with back-office dealing, settlement and administration services as either sub-custodian or Third-Party Administrator (‘TPA’) across a multitude of asset classes including collectives, exchange traded securities, direct fixed interest securities and alternative assets.

2. Background and Purpose

FNZ is subject to the capital adequacy requirements set by the UK Capital Requirements Regime (CRR) and the FCA Prudential Sourcebook for Investment Firms (IFPRU) These regulations establish the framework for regulatory capital management and includes components that require firms, including FNZ, to assess their regulatory capital as follows.

- Pillar 1 - specifies the minimum capital requirement for firms subject to UK CRR;
- Pillar 2 - requires firms to assess whether the firm needs to hold additional capital against firm-specific risks not covered or not sufficiently covered under Pillar 1; as set out in IFPRU 2.2 among others; and
- Pillar 3 - requires firms to disclose information regarding their risk management and policies, own funds and capital requirements.

These disclosures represent the annual public Pillar 3 qualitative and quantitative disclosures required under the UK CRR.

2.1. Basis of Preparation

These disclosures have been prepared on an individual basis. FNZ is not a member of an FCA consolidation group since:

i. It is not a subsidiary undertaking of a parent undertaking incorporated in, or formed under the law of any part of, the United Kingdom or in a European Union (EU) member state.

ii. Although FNZ is a parent undertaking, its five wholly owned subsidiaries are dormant subsidiaries that provide nominee services. FNZ has taken a consolidation exemption under section 405 of the Companies Act, as its only subsidiaries are dormant companies which are not considered to be material for the purposes of consolidation, as disclosed in FNZ's financial statements.

This document does not constitute a set of financial statements. FNZ 2020 audited financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and as endorsed by the EU. Information disclosed in FNZ financial statements will not necessarily be consistent with information disclosed in this document, as some definitions used in this document refer to the regulatory view and may differ from the accounting definitions.

These disclosures have not been audited by the Firm's external auditors except where the information is equivalent to that included in the 2020 audited financial statements. These disclosures have been reviewed by the relevant areas of the Firm.

These disclosures have been reviewed and approved by the Board.

2.2. Reporting Period

These disclosures cover the financial position for the year ended 31 December 2020 and were approved in September 2021.

2.3. Frequency

The disclosures in this document are required to be published at least annually and if appropriate, more frequently.

2.4. Publication location

This document is available for download on FNZ's corporate website - http://www.fnz.com/regulatory-disclosures.

3. Governance

FNZ operates the three lines model (3LM), in which risk management, risk oversight and independent assurance are distinct, separate activities. 3LM structures provide an effective way to enhance clarity regarding risks and control processes helping to deliver a strong risk management culture. The responsibilities of each line in the 3LM are set out below.

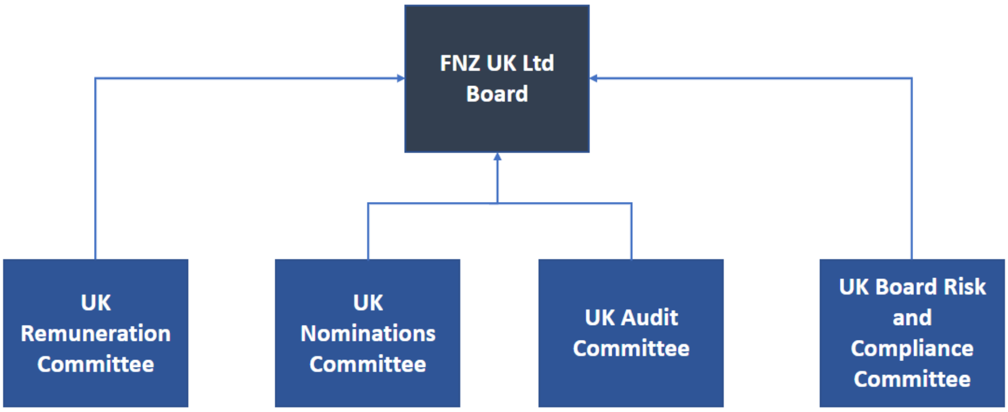
Figure 1 - The responsibilities of each line in the 3LM

The first line – Accountability and Reporting	The second line – partnership and oversight	The third line – Assurance
Provision of services to clients. The business functions own risks and have the primary responsibility for managing risks on a day- to-day basis and operating an effective suite of internal controls. They also are responsible for implementing corrective actions to address process and control deficiencies. 1st line identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives.	Independent to the first line and tasked with providing guidance, oversight and challenge to the business in relation to the risk management. Risk and Compliance - Responsible for setting risk management policies, developing risk management frameworks, facilitating and monitoring the implementation of effective risk management practices by management. Provides expertise and independent challenge to risk owners.	Independent assurance and advice. Internal Audit function - provides the Board and senior management with comprehensive assurance on the effectiveness of governance, risk management, and internal controls, including how the first and second lines of defence achieve risk management and control objectives.

3.1. Board Committees

FNZ's Board Committees are in place to ensure that significant risks are identified, managed and escalated in a timely fashion. The key committees and their responsibilities are outlined below.

Figure 2 - FNZ UK Board Committees



UK Board

The UK Board retains the responsibility for risk management but delegates the implementation of the processes to oversee the management of risk within FNZ to management. Responsibility for embedding the Risk Management Framework ('RMF' or 'the framework') sits with the UK Board and its management teams.

UK Board Risk & Compliance Committee

The UK Board Risk & Compliance Committee ('BRCC') comprises a Non-Executive Chairman and three further Non-Executive Directors one of whom is the Chair of the UK Audit Committee. The primary purpose of the BRCC is the oversight of risk management and regulatory compliance across the Company.

UK Audit Committee

The UK Audit Committee monitors the financial integrity of the financial statements of FNZ and the audit process. The UK Audit Committee comprises a Non-Executive Chairman and two further Non-Executive Directors, each with relevant financial experience. The UK Audit Committee's principal oversight objectives are financial control and reporting, internal audit activities and external audit.

UK Remuneration Committee

The UK Remuneration Committee is responsible for determining the remuneration packages for each of FNZ's executive directors and certain senior executives. It also recommends and monitors the level and structure of remuneration for senior management, and the implementation of share incentive or other performance related schemes.

UK Nominations Committee

The UK Nominations Committee is responsible for reviewing the leadership needs of the business to ensure it can continue to succeed in the marketplace. The UK Nominations Committee is comprised of non-executive directors and assists the UK Board with the oversight of FNZ's processes and governance with regard to senior appointments. This includes succession planning, as well as considering and making recommendations to the UK Board.

4. Risk Management Framework

The RMF provides a structure for managing FNZ's enterprise wide risks.. It sets out the processes, methods and supporting frameworks used by FNZ to manage the risks associated with its business model and strategy, setting out the roles and responsibilities within the framework and associated governance for managing and reporting on risks within the business.

4.1. Responsibilities

The Chief Risk Officer (CRO)

The CRO is responsible for overseeing the design, implementation and effective operation of the Framework under the auspices of the UK Board Risk and Compliance Committee Chair.

The CRO provides independent challenge to the effectiveness of the Framework and provides 2nd Line risk reporting to all levels of FNZ.

UK Board Risk and Compliance Committee

With formal delegation from the UK Board, the Committee has oversight of risk and compliance related matters impacting FNZ and its UK subsidiaries, risk governance and internal control systems (other than internal financial control systems which are under the scope of the UK Audit Committee).

The Committee oversees on behalf of the UK Board the effectiveness and adequacy of the Framework. It reviews how effectively management and subsidiaries are embedding and maintaining an effective risk management culture and a strong internal control environment designed to foster compliance with policies and compliance requirements.

UK Board

The UK Board is responsible for establishing FNZ's Board level risk appetite, a key component of the RMF. This sets the tolerances and appetites for FNZ in seeking to achieve its strategy and business plans.

FNZ Risk Culture

A strong risk culture enables effective risk management and supports the successful delivery of FNZ's strategy. Culture is delivered through tone from the top, leadership displaying the right values, strong and effective governance, remuneration incentivizing good behaviours and consequences for poor behaviour, training staff and communicating and reinforcing key messages constantly.

At FNZ, the developing risk culture reflects the Firm's scale and complexity:

- Aligned to the objectives of FNZ and the needs of FNZ stakeholders and focused on end customer outcomes.
- Promoting holistic understanding of risk and embedded in the ongoing processes for strategic and operational decision making, through risk-focused processes and methods.

As part of embedding a strong risk culture, FNZ has a risk management objective for all staff within the FNZ performance management process.

4.2. Risk Taxonomy

The Risk Taxonomy defines FNZ's principal risks and provides the business with consistent terminology. The FNZ Risk Taxonomy is designed to support consistent and effective risk identification, reporting, and oversight through to the senior management and Board.

The FNZ Taxonomy is embedded in all risk management and strategic decision-making processes throughout the business and seeks feedback from those processes as to its ongoing appropriateness.

The executive responsible for each level one Risk Type is recorded in the Risk Taxonomy Framework which is owned by the FNZ Group Chief Risk Officer.

4.3. Risk Appetite Framework

Risk Appetite is an expression of the level of risk that FNZ is willing to take to execute its strategy. Risk Appetite is articulated through Risk Appetite Statements, which define level of risk FNZ is willing to avoid, accept or seek to meet its strategic and business objectives per risk type.

Risk Appetite is governed by FNZ's Risk Appetite Framework. Each appetite is aligned to the risk taxonomy Level 1 risks and includes both quantitative and qualitative statements with measures and limits on the amount of risk FNZ is willing to take. They are supported by Key Risk Measures including Key Risk Indicators ('KRIs').

Risk Appetites are reviewed and agreed annually by the Board as part of the annual strategic review.

4.4. Risk Management Tools

Risk assessments must be conducted at multiple levels. These enable FNZ to effectively manage risk across its end-to-end value chain, through both a top-down and bottom-up assessment of risk:

- Strategic level (strategic risk assessment) – a top - down assessment of those risks which would threaten the successful delivery of the Business Plan. These threats are likely to be few, but material in impact if they materialise.
- Transformational level (change the business) - risk assessment of where the firm has a planned programme of a significant or transformational change. There are two dimensions to the risk assessment: the impact on the risk profile of the firm and the risk to execution/delivery.
- Operational Level (run the business) - a selection of risk assessment and management processes at a business level used to identify and assess risks. These include:
    - Risk and Controls Self-Assessment ('RCSA') - a bottom up assessment of risks and controls and the extent to which risk is mitigated by identified controls.
    - Risk Events Management – assessment of materialized risks and losses to reduce both the likelihood of re-occurrence and impact.
    - Escalated Root Cause Analysis ('eRCA') – in depth assessment of the major risk events to understand underlying causes and to put in place appropriate actions.
    - Thematic risk assessment - in-depth assessments to be taken of higher risk areas of the business or areas of potential emerging risk of concern to senior management.

4.5. Tools to assist risk identification and assessment

Risks are assessed using a range of tools to help the assessment of risk exposure, the likelihood of occurrence and the potential impacts (financial and non-financial). These tools include:

- Impact matrix – helps to assess the likely impact of a risk materialising (i.e. considering what can go wrong in each process and the resulting consequence).
- Likelihood matrix - helps to assess the likelihood of occurrence of an event and encompasses quantitative and qualitative measures.
- Risk Assessment Matrix - provides a consistent basis for understanding the severity of risk exposures and determining the appropriate escalation and reporting requirements.
- Scenario analysis - consideration of possible scenarios relating to the risk will support the assessment of the risk exposure. This is used to assess extreme, but plausible situations, for both risk management purposes and capital assessment. This involves data and SME inputs and helps management to understand tail risks and should be looked at regularly, reflecting risk events and changing risk profiles.

4.6. Policy Framework

FNZ Group Policy Framework defines the principles, scope, roles and responsibilities and lifecycle for all FNZ policies, procedures and standards, as well as outlines the framework governing the FNZ policy inventory and policy attestation process.

FNZ policies support the Risk Management Framework by means of (i) setting the Minimum Standards expected of the business in managing the risk, legislature, statutory requirement and key firm-wide activity and process, (ii) identifying the key individuals involved in the management of risk, as well as (iii) identifying key processes and standards that are used to support the policy in the management of the risk.

The Policy Framework is owned by the FNZ Group Chief Risk Officer, who is responsible for ensuring that the Policy Framework is deployed and applied consistently, operating effectively and remains fit for purpose.

5. Pillar 2 Framework

IFPRU firms are required to undertake an internal capital adequacy assessment process (ICAAP) in accordance with the ICAAP rules (IFPRU 2.2). The objective of Pillar 2 is to identify the risks that are not appropriately covered within Pillar 1; this includes an assessment of risks to quantify the adequate level of capital to be held by the Firm. The FCA will review the Firm's ICAAP as part of its supervisory review and evaluation process (SREP). After completing a review of the appropriateness of the Firm's capital assessment, the FCA may notify the Firm of the amount and quality of capital the Firm should hold as its individual capital guidance (ICG) as part of the SREP.

The Firm's ICAAP document is updated and reviewed at least annually as part of the business planning cycle, or more frequently should changes in the business, strategy, nature or scale of the Firm's activities or operational environment suggest that the level of financial resources are inadequate.

The Board retains ultimate responsibility of the ICAAP. The ICAAP is subject to review, robust challenge, and approval (where appropriate) with engagement by senior management and the Board through a structured governance process.

5.1. Risk Categories

According to the UK CRR framework, FNZ is obliged to disclose its risk management objectives and policies for each category of risk that the firm faces (including a summary of strategies and processes to manage risk). In determining which risks to assess, the FNZ Board considers all risks within IFPRU 2.2.7 in addition to any other risks that are material to the firm.

FNZ's risks and the process by which the firm manages these risks are listed below.

5.1.1. Operational Risk

FNZ defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

FNZ's exposure to operational risk has been performed through an assessment of our own universe of operational risks, combined with a number of other approaches including the consideration of both internal incident history and publicly available reporting on operational risk at other similar firms. FNZ is primarily exposed to operational risk through client delivery and asset servicing.

To facilitate the identification, assessment, monitoring, and reporting of the above operational risks FNZ has a risk management framework in place that includes the following processes:

- **Risk appetite:** A Risk Appetite Framework consists of qualitative statements and quantitative measures that are used to monitor operational risks within the business. Each Operational Risk Category outlined above has a specific Risk Appetite Statement ('RAS') and associated tolerances in place. These are monitored annually or where there is a material change to the business.
- **Risk assessment and identification**: FNZ maintains a 'Risk Assessment Process' document that describes how the firm arrives at their 'Key Corporate Risks' based on a top down and bottom up approach to Risk Assessment.

- Risk Scoring: FNZ assesses risk from both a top down and a bottom up perspective. Risks are assigned owners at a senior level (Executive Risk Owners or ERO's) and the risks are scored (in terms of impact and likelihood) on an inherent (gross), residual (net) and target (appetite) basis.
- Risk Control Self-Assessment: FNZ maintains a process overview document that describes the RCSA process, including roles and responsibilities within the first line of defence.
- Risk Events and Action Plan Management: FNZ maintains a 'Risk Events Process Overview' document describes the current process for Risk Events, which continues to evolve.

5.1.2. Credit Risk and Counterparty Risk

FNZ defines credit risk as the risk of a counterparty defaulting on its contractual obligations. FNZ is exposed to credit risk as a result of exposures on its balance sheet. FNZ's exposure to credit risk is predominantly through work-in-progress balance (WIP) held on the balance sheet in respect of partially complete customer implementation projects and customer invoiced debtors, which are raised monthly.

To facilitate the identification, assessment, monitoring, and reporting of the credit risk FNZ has in place robust mechanisms and controls, which are set out below:

- Risk appetite: A Risk Appetite Framework which consists of qualitative statements and quantitative measures that are used to monitor credit risks within the business.
- Credit risk controls: FNZ (UK) Ltd has controls and tolerances in place e.g. The Board monitors aged debtor value. Tolerances are regularly monitored and reported. Controls and tolerances are updated annually or where there is a material change to the business.

5.1.3. Market Risk

Market risk is defined as the risk associated with fluctuation in the market value of positions in FNZ's portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness.

FNZ is primarily exposed to market risk through foreign exchange risk: FNZ's functional currency is GBP but it generates revenue, incurs costs and holds balance sheet exposure in other currencies.

To facilitate the identification, assessment, monitoring, and reporting of foreign exchange risk, FNZ has in place market risk controls and tolerances, which are set out below:

- Risk appetite: A Risk Appetite Framework consists of qualitative statements and quantitative measures that are used to monitor market risk within the business.
- Foreign exchange gap analyses: FNZ performs monthly gap analyses of its foreign exchange position to ensure risks associated with this are monitored and/or mitigated within acceptable levels of risk appetite. Hedging processes: FNZ has a rolling 12-month partial hedging process in place.

5.1.4. Concentration Risk

FNZ is exposed to the failure of a single client upon whom a material ratio of revenue is derived from. This position is improving as FNZ are diversifying their client base and sources of revenue. FNZ monitors concentration risk in accordance with its concentration risk policy.

5.1.5. Group Risk

Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group (e.g. reputational contagion).

Financially, FNZ is exposed to other group entities through cross-guarantees. This is mitigated by FNZ Group who have provided FNZ UK with a letter of support guaranteeing them financial assistance to the full extent of its resources for a 12-month period from the date of signing of each its accounts.

5.1.6. Liquidity Risk

FNZ defines liquidity risk as the risk that a firm, 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.

Under the current prudential regulatory rules and requirements as set out in the FCA Handbook, FNZ is classed as a 'non-ILAS BIPRU 12 firm' for liquidity adequacy purposes. Accordingly, BIPRU 12 sets out the liquidity risk management processes and requirements that must be observed to ensure and demonstrate FNZ has adequate liquidity resources to demonstrate the ability to meet obligations as they fall due.

Additionally, FNZ is expected to observe and adhere to the FCA's Assessing Adequate Financial Resources guidance as set out in their finalised guidance paper FG20/1 (June 2020). This paper sets out additional regulatory expectations on how FNZ might adequately demonstrate it meets its prudential financial resource requirements aimed at mitigating harms to its customers, markets, and the firm itself.

To facilitate the identification, assessment, monitoring, and reporting of the above liquidity risks The Company has in place robust strategies, policies, processes and which are set out below:

Liquidity risk management framework (LRMF): FNZ's LRMF document outlines the Firm's approach to identify, measure, monitor, manage and report its liquidity risks and to demonstrate the effectiveness of its liquidity risk management framework.

- Liquidity Stress Testing Policy (LSTP): sets out the policy for how FNZ identifies sources of potential liquidity strain and to ensure that current liquidity exposures continue to conform to FNZ's risk tolerance as agreed and approved by its governing body, and regulatory rules and specific liquidity requirements as mandated by the FCA.
- Liquidity Stress Testing Assessment Methodology: sets out the principles, standards, and approach for conducting liquidity stress testing and establishes the basis for forming the liquidity risk appetite for FNZ to ensure that an amount of adequate liquidity resources is identified and held at all times.
- General Stress Testing: sets out general stress and scenario testing approach, reverse stress testing approach, governance arrangements, and the estimated amount of financial resources FNZ needs to hold to continue to meet the Overall Financial Adequacy Rule and the Overall Liquidity Adequacy Rule.
- Contingency Funding Plan (CFP): sets out the strategies and tactics FNZ will use to access liquid resources over the course of a severe yet plausible liquidity stress event; it is the 'plan' for how FNZ aims to survive for at least is risk appetite survival horizon of 180 days and sets out how it

will address liquidity shortfalls with the aim of ensuring that it will have sufficient liquidity resources to meet liabilities as they fall due.

- CFP Binding Trigger Limits: establishes the levels of available liquidity at which FNZ must trigger the CFP. The trigger limits support FNZ management by ensuring the CFP is actioned when liquidity moves outside of the risk appetite.

5.1.7. Business Risk

Business risk encompasses the exposure to uncertainty in the wider economic and competitive environment and the impact of that environment on FNZ's ability to execute its stated business objectives and strategy.

This risk is managed with strategic focus, assisted by appropriate management oversight and a strong corporate governance framework.

5.1.7.1. Thematic Business Risks

There are thematic risks that face the business over the next 12 months and the business plan cycle: Covid-19 and Brexit. Both of these carry over from 2020 and given the continuing nature of the Covid-19 pandemic and the still emerging impacts of Brexit, these are still relevant.

Covid-19

While the current position is unprecedented, FNZ has successfully executed its Business Continuity Plans, which identify key personnel, process and suppliers that are required to maintain the current service offering to clients. Following this process has enabled FNZ to maintain its current service offering to clients and their end-customers with minimal impact. To monitor and ensure FNZ's ongoing resilience and continuity of service, FNZ has the following in place.

- FNZ Crisis Management Teams which meets to ensure preparedness to respond to the threat of further spread of Coronavirus.
- Full 'working from home' capabilities for all colleagues.

Brexit

In response to Brexit, FNZ Group established a new European legal entity within the EU27 in 2020 to preserve continuity of service to impacted clients, to continue to benefit from Passporting rights, and provide a hub for strategic growth in EU markets.

5.1.8. Interest Rate Risk

FNZ is not exposed to any material interest rate risk since:

- No material interest is generated on cash balances held.
- The Firm's interest expense primarily relates to leases where the interest rate is fixed at the start of the lease.

5.1.9. Residual Risk

Residual risk means the risk that credit risk mitigation techniques used by the firm prove less effective than expected.

FNZ does not make use of credit risk mitigation and is therefore not exposed to residual risk.

5.1.10. Pension Obligation Risk

Pension obligation risk is the risk to a firm caused by its contractual or other liabilities to, or with respect to, a pension scheme (whether established for its employees or those of a related company or otherwise). It also means the risk that the firm will make payments or other contribution to, or with respect to, a pension scheme because of a moral obligation or because the firm considers that it needs to do so for some other reason.

FNZ does not operate a defined benefit pension scheme and is not exposed to pension obligation risk.

5.1.11. Securitisation Risk

Securitisation risk includes the risk that the own funds held by a firm for assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved.

FNZ is not exposed to securitisation risk.

5.1.12. Settlement Risk

Risk arising from transactions in which debt instruments, equities, foreign currencies and commodities are unsettled after their due delivery dates.

FNZ does not undertake such transactions. Therefore, FNZ are not exposed to this risk.

5.1.13. Risk of Excessive Leverage Risk

Risk of excessive leverage is the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

FNZ is not exposed to risk of excessive leverage.

5.2. Board Responsibilities on Risk Management

Ultimate responsibility for the effectiveness of the Firm’s risk management framework sits with the Board. The framework assists the Board in determining what risks the Firm is willing to accept and how to appropriately manage, monitor and mitigate those risks.

The Board recognises that in order to meet the continued growth of FNZ, client and end-customer requirements, regulatory obligations and the continuing need to manage the Firm in a controlled manner, FNZ must continue to enhance risk management capability across its business.

6. Pillar 1 Capital Adequacy

6.1. Capital Resources (Own Funds)

FNZ capital resources are exclusively comprised of Common Equity Tier 1 (CET 1). The table below outlines the Capital Resources calculation as at 31 December 2020 and the previous year (i.e. it excludes the profits from the respective years, as they are not audited at the respective year end dates):

Table 1 – Capital Resources

Capital Resources	Dec 2020 £m	Dec 2019 £m
Share Capital	17.9	17.9
Share Premium	4.2	4.2
Previous years retained earnings	124.4	96.3
Accumulated other comprehensive income	(1.1)	(1.2)
Intangible assets	(1.4)	(1.9)
Total Common Equity Tier 1 (CET 1)	144.0	115.3
Total Own Funds	144.0	115.3

The Capital Resources (Own Funds) increased £28.7m, primarily due to the inclusion of audited profits for the year ended 31 December 2019, signed on 22 April 2020.

A reconciliation from IFRS net assets to own funds is provided in Appendix 3.

6.2. Capital requirements

FNZ is a Limited Licence Investment Firm, as per Article 95 of UK CRR its own funds requirement (i.e. Pillar 1) are calculated as the higher of the (i) FOR and (ii) the sum of the market risk, credit risk, including counterparty credit risk, and the credit valuation adjustment ("CVA") risk of Over-the-counter (OTC) derivatives exposure (Articles 92 and 95).

The requirements are calculated using the following approaches and methods:

- Credit Risk – the Standardised Approach set out in Chapter 1 of Part Three, Title II of the UK CRR.
- Counterparty Credit risk (CCR) – the Mark-to-Market method set out in article 274 of the UK CRR.
- CVA - the Standardised method set out in article 384 of the UK CRR.
- Market Risk – Foreign Exchange risk set out in Chapter 2 of Part Three, Title IV of the UK CRR.
- Fixed Overhead Requirement (FOR) – the subtractive approach set out in EBA Regulatory Technical Standards own funds requirements based on Fixed Overheads (EBA/RTS/2014/01).

FNZ Pillar 1 capital requirements were driven by FOR as at 31 December 2020 and as at 31 December 2019. The table below summarises the capital requirements calculations:

Table 2 – Pillar 1 Capital Requirements

Pillar 1 Capital Requirements	Dec 2020 £m	Dec 2019 £m
Credit & Counterparty risk	15.4	14.8
Market risk	0.3	1.6
Credit Valuation Adjustment	0.04	0.01
Sum: Credit + Market Risk + CVA	15.7	16.4
Fixed Overhead Requirement	31.5	26.3
Pillar 1 Capital Requirements	31.5	26.3

6.2.1. Pillar 1 Credit Risk Capital Requirements

FNZ has credit risk exposures through on-balance sheet assets such as receivables, contract assets and cash at banks. FNZ uses the Standardised Approach set out in the UK CRR to calculate its credit risk requirement under Pillar 1. The credit risk capital requirements represent 8% of the risk weighted assets (RWAs). FNZ does not make use of credit risk mitigation techniques. The credit risk capital requirements by exposure class are summarised in the table below as at 31 December 2020:

Table 3 – Pillar 1 Credit risk by exposure class

Exposure Class Dec 2020 - £m	Exposure Amount	Average RWA %	RWA Amount	Capital Requirements
Institutions	64.8	20%	13.0	1.0
Corporates	1.9	100%	1.9	0.2
Other items	177.4	100%	177.8	14.2
Total	244.1	79%	192.7	15.4

The table below provides the risk weighted assets by IFRS balance sheet asset type as at 31 December 2020:

Table 4 – Pillar 1 Credit risk by IFRS balance sheet asset type

Balance Sheet (BS) Item Dec 2020 - £m	BS Amount	Adjustment to Capital	RWA Amount	Average RWA %	Capital Requirements
Property, plant and equipment	31.9	-	31.9	100%	2.6
Intangible assets	1.4	(1.4)	-	-	-
Deferred tax asset	0.2	-	0.5	250%	0.04
Cash and cash equivalents	50.2	-	10.0	20%	0.8
Trade and other receivables	29.5	(6.5)	11.5	50%	0.9
Contract assets	138.6	-	138.6	100%	11.1
Off balance sheet FX exposure	-	0.2	0.2	100%	0.0
Total	251.8	(7.7)	192.7	79%	15.4

6.2.1.1. Use of external credit assessment institutions ("ECAIs")

FNZ uses the Standardised Approach to calculate Pillar 1 credit risk requirements where the risk weighted percentage derives from external ratings provided by External Credit Assessment Institutions ("ECAIs") among other factors. For counterparties which have a credit rating, these ratings are used to determine the risk weighted, by mapping the credit rating to a credit quality step (CQS) using mappings provided by the FCA and applying a risk weighting determined by this mapping. FNZ makes use of credit ratings issued by Moody's.

The table below describes the relationship of ECAIs' long-term external credit ratings and the correspondent credit categories (denominated as credit quality steps) for risk-weight purposes.

Table 5 - Relationship of ECAIs' long-term external credit ratings and the correspondent credit quality steps

Credit Quality Step (CQS)	Moody's	Fitch	S&P
Credit Quality Step 1	Aaa to Aa3	AAA to AA-	AAA to AA
Credit Quality Step 2	A1 to A3	A+ to A-	A+ to A
Credit Quality Step 3	Baa1 to Baa3	BBB+ to BBB	BBB+ to BBB
Credit Quality Step 4	Ba1 to Ba3	BB+ to BB-	BB-+ to BB
Credit Quality Step 5	B1 to B3	B+ to B-	B+ to B
Credit Quality Step 6	Caa1 and below	CCC+ and below	CCC+ and below

The table below illustrates the relationship between the credit quality steps and the correspondent risk weights under the standardised approach:

Table 6 - Relationship between the credit quality steps and the correspondent risk weights under the standardised approach

Credit Quality Step (CQS)	Corporates	Institutions			Sovereigns
		Sovereign Method	Maturity <= 3 months	Maturity > 3 months	
Credit Quality Step 1	20%	20%	20%	20%	0%
Credit Quality Step 2	50%	50%	20%	50%	20%
Credit Quality Step 3	100%	100%	20%	50%	50%
Credit Quality Step 4	100%	100%	50%	100%	100%
Credit Quality Step 5	150%	100%	50%	100%	100%
Credit Quality Step 6	150%	150%	150%	150%	150%

The exposure value as 31 December 2020 for each credit quality step are provided below.

Table 7 – Pillar 1 Credit risk exposure value as 31 December 2020 for each credit quality step

Exposure Class Dec 2020 - £m	CQS 1	Unrated	Total
Institutions	10.8	2.2	13.0
Corporates	0	1.8	1.9
Other items	0	177.8	177.8
Total	10.8	181.8	192.7

6.2.2. Pillar 1 Counterparty Credit Risk (CCR) Capital Requirements

CCR is the risk that a counterparty for securities financing transactions (SFTs) and both OTC and centrally cleared derivatives could default before the final settlement of the transaction's cash flows. FNZ is exposed to CCR through foreign exchange OTC derivative contracts to hedge primarily future expenses in foreign currencies. The counterparty credit risk capital requirements represent 8% of the risk weighted assets (RWAs). The table below outlines FNZ's CCR calculation:

Table 8- Counterparty credit risk capital requirements as at 31 December 2020

Residual Maturity (Dec 2020 - £ m)	Replacement cost	Notional amounts	Potential future credit exposure	RWA Amount	Average RWA %	Capital Requirements
1 year or less	0.04	12.7	0.13	0.13	100%	0.01
Over 1 year, not exceeding five years	-	-	-	-	100%	-
Total	0.04	12.7	0.13	0.13	100%	0.01

6.2.3. Pillar 1 Credit Valuation Adjustment (CVA) Capital Requirements

CVA is an adjustment to the mid-market valuation of the portfolio of all OTC derivative transactions with a counterparty. FNZ calculates CVA using the Standardised method set out in article 384 of the CRR. The capital requirements for CVA risk equaled £0.04m as of 31 December 2020.

6.2.4. Pillar 1 Market Risk Capital Requirements

Market risk is defined as the risk of losses arising from movements in market prices. FNZ is a limited licence firm, therefore does not have permissions to trade on its own account. FNZ Market risk exposure is related to foreign-exchange risk that arises on spot positions and forward positions other than GBP (functional currency).

FNZ's overall net foreign-exchange position is calculated as the higher of the separately summed net short and long positions in each currency (other than the functional currency) converted at spot rates into the functional currency. Since the overall net foreign-exchange position exceeds the de-minimis value of 2% of FNZ's capital resources, this is multiplied by an 8% own-funds requirement to give the capital requirement associated with foreign-exchange risk. The table below outlines FNZ's foreign-exchange risk calculation:

Table 8 – Foreign exchange risk Pillar 1 capital requirements as at 31 December 2020

Positions in currencies other than GBP (£m)	Net Position		Positions subject to capital charge		Capital Requirements
	Long	Short	Long	Short	
Overall net foreign-exchange position	15.8	12.8	3.4	0.4	0.3
EUR	0.2	0.5			
CZK	15.2	11.9			
NZD	0.0	0.0			
CHF	0.1	0.1			
USD	0.2	0.3			
ZAR	0.0	0.0			

6.2.5. Pillar 1 Fixed Overhead Requirement (FOR)

Limited licence firms are not required to calculate an operational risk requirement under Pillar 1. Instead, they are required to calculate a FOR. FNZ calculates fixed overheads using the subtractive approach proposed by the EBA Regulatory Technical Standards (RTS) own funds requirements based on Fixed Overheads (EBA/RTS/2014/01), whereby variable cost items are deducted from the total audited expenses. The RTS requires investment Firms to hold eligible capital of one quarter of the fixed overheads of the preceding year based on the most recent audited financial statements.

As at 31 December 2020, FNZ's fixed overheads calculation was based on the most recent audited financial statements at that point-in-time (31 December 2019). This resulted in a FOR of £31.5m. The approach to calculating the FOR and the nature of deductions remained consistent year on year.

6.3. Pillar 1 Capital Adequacy Summary

The table below provides an overview of FNZ's Pillar 1 capital adequacy summary as at 31 December 2020 and the previous year:

Table 9 - Pillar 1 capital adequacy summary as at 31 December 2020 and the previous year

Pillar 1 Capital Adequacy	Dec 2020 £m	Dec 2019 £m
CET 1 Capital	144.0	115.3
Total Own Funds	144.0	115.3
Risk Weighted Assets (RWA)	393.8	328.8
Pillar 1 Capital Requirements	31.5	26.3
Pillar 1 Capital Surplus	112.5	89.0
CET 1 Ratio	36.6%	35.1%

The CET1 capital ratio is the CET1 capital of the Firm expressed as a percentage of the total risk exposure amount (Pillar 1 requirements x 12.5).

7. Remuneration Disclosures

7.1. Governance

The purpose of the Remuneration Code is to ensure firms establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management. The Remuneration Code applies to 'Remuneration Code Staff' ('Code Staff'). The remuneration policy is in line with the business strategy, objectives, values and long-term interests of the firm. The remuneration policy also has measures to avoid conflicts of interest. Code Staff are defined as employees whose professional activities have a material impact on the Firm's risk profile, in accordance with Regulation (EU) 604/2014 and include senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Firm's risk profile.

In line with guidance provided by the FCA for a Significant IFPRU Limited Licence firm, a Remuneration Committee has been appointed and will be responsible for setting and overseeing FNZ's policy on all aspects of remuneration. FNZ's Remuneration Policy will be reviewed annually by the Remuneration Committee to ensure that it remains consistent with the Remuneration Code principles and FNZ's business objectives.

The Remuneration Committee is comprised of at least three members, who are independent Non-Executive Directors. The Committee met at least twice during the year.

7.2. Link between Pay and Performance

Remuneration at FNZ is made up of fixed ('salary') and variable components.

Salary is set in line with market competitiveness at a level to retain, and when necessary attract, skilled staff.

Bonuses are paid on an exceptional basis and are designed to reflect the performance of an individual in contributing to the success of FNZ and their success in meeting, or exceeding, targets that have been set by the business on an individual basis. In addition, any bonus will take into account the performance of the business unit concerned and the overall results of FNZ, including being funded from a bonus pool created by reference to FNZ profitability performance relative to target.

The measurement of financial performance will be based principally on EBITDA and not on revenue or turnover. Individual performance objectives are set and reviewed on an annual basis and over-achievement of such goals may form part of a bonus award. Awards granted will reflect the financial performance of FNZ and as such, variable remuneration may reduce where subdued or negative financial performance occurs. The remuneration of the Control Functions (Risk, Compliance, and Internal Audit) are overseen by the Remuneration Committee.

FNZ will not ordinarily make any bonus awards should it make a loss. In exceptional circumstances, such payments may need to be considered. In such cases, the Remuneration Committee will consider and document whether such an award would be in keeping with FNZ's Remuneration policy. All bonuses are subject to a malus principle under which payments may be clawed back in certain circumstances.

All salary and bonus award proposals made to the Remuneration Committee are reviewed by risk and compliance as part of the process of approval.

Variable remuneration (annual bonus) does not have an adverse impact on the capital or liquidity held by the Firm. Finance have in place a quarterly accrual in line with our financial performance to ensure there is no impact to capital/liquidity of an annual payment of variable remuneration. FNZ prohibits any exemption from the Remuneration Code in regards to personal investment strategies, pension policy or through any form of instrument/ vehicle.

There are management equity schemes ('MEP') in place allowing equity participation in the FNZ Group. Under the MEP, employees and other specific individuals (including Executive and Non-Executive Directors) hold direct and indirect ownership interests in the FNZ Group, the value of which will depend on the achievement of value-creation performance hurdles. All MEP interests have now exceeded the original four year vesting schedule and are fully vested.

A new equity-based plan is presently in design phase for anticipated launch in 2021.

7.3. Quantitative Remuneration Disclosures

FNZ operates as a single business unit. Aggregate remuneration for the year ended 31 December 2020 was £59.050m. The aggregate quantitative information has been broken down into the following categories:

1. Senior Management: defined as executives whose roles need to be approved by the FCA under the Senior Management Functions (SMFs).
2. Board of Directors: Non-Executive Board members of FNZ (UK) Ltd and parent company who hold SMF responsibilities for FNZ (UK) Ltd.
3. Code staff: as defined in Section 7.1, but excluding categories 1 and 2 above.

Table 10 - Remuneration amounts for the financial year-end (YE) 31 December 2020:

Dec 2020	Fixed £m	Variable £m	Number of Beneficiaries
SMFs	4.6	0.0	11
Board of Directors	1.4	0.0	6[1]
Code staff	10.0	0.1	48

[1] Please note, one Non-Executive Board member of the parent company is an SMF of FNZ (UK) Ltd and therefore meets the category definition, but is not renumerated by FNZ, given they are a shareholder representative, and therefore not a beneficiary.

Table 11 – Variable remuneration breakdown for the financial YE 31 December 2020:

Dec 2020	Cash £m	Shares £m	Share-linked instruments £m	Other types £m
SMFs	0.0	0.0	0.0	0.0
Board of Directors	0.0	0.0	0.0	0.0
Code staff	0.1	0.0	0.0	0.0

Table 12 – Sign-on payments during the financial YE 31 December 2020:

Dec 2019	Sign-on Payments £m	Number of Beneficiaries
SMFs	0.0	1[2]
Board of Directors	0.0	0
Code staff	0.0	0

The Firm made severance payments to 3 SMF/Code staff who left during 2020 totaling £308,750 in line with contractual obligations.

The Firm had one individual who was remunerated EUR 1 million or more per financial year during the financial YE 31 December 2020.

7.4. Remuneration of the Board of Directors

Non-executive Board members do not receive performance-based remuneration.

Where MEP interests are granted to Non-Executive Directors, prior shareholder approval is sought, and any MEP interests acquired are required to be held until at least one year after the Non-Executive Director leaves the board.

Remuneration for Non-Executive Board members is set at a level that is market aligned and reflects the qualifications and competencies required in view of the Firm's size and complexity, the responsibilities and the time the Board members are expected to allocate to fulfil their duties as Board members. No pension contributions are payable on Board members fees.

7.5. Directorships

Refer to the table in Appendix 1 showing the directors on the Board and the number of other directorships held by each director, including both other FNZ entities and external directorships (UK and non-UK).

[2] £30,000 was paid as a sign-on bonus in 2020 to one SMF, therefore 1 beneficiary, but £0.0m correctly shown.

7.6. Diversity and Equality Policy for the Board

Diversity and Equality policy for the Board is a group wide policy that is applicable to FNZ (UK) Ltd. FNZ values the different perspectives and experiences of its employees and is committed to operating a diverse workforce, in which everyone is treated fairly.

The law protects individuals from discrimination and harassment in the workplace and this policy allows FNZ to protect employees, promote diversity and respond to changing demographics and working patterns. The intention is that no employees will receive unfair treatment in the workplace on the grounds of:

- Age, marital status, gender, religion, ethnic origin, ethical beliefs, colour, race, employment status, disability (including illness), sexual orientation, political opinion, family status and involvement or non-involvement in the activities of a union (this is not an exhaustive list).

FNZ's principles are:

- Its leaders understand how diversity and inclusion supports the business and are committed to driving this forward.
- To search for, recruit, and retain top talent from the widest possible sources, reflecting the diversity of the available pool of talent.
- All employees are aware that bullying, discrimination and harassment will not be tolerated on any level and it is committed to dealing with any instances under our Bullying and Harassment Policy.
- All employees have the same level of access to training and development regardless if they are part-time or full-time.
- Aim to comply with all legislation to ensure it protects the Firm and its employees.

The commitments to drive diversity and inclusion forward in the workplace are:

- Deliver training to ensure all employees understand the policy and their responsibilities.
- Monitor equal pay for all genders and job role benchmarking/ job design, making improvements where needed.
- Make it possible for employees to achieve a balance between personal and work commitments through flexible working (please see our flexible working policy for more information).
- Track performance in recruitment and make improvements where needed.
- Monitor and review the Diversity and Inclusion policy regularly.
- Utilise fresh perspectives and nurture creativity and innovation.
- Benchmark progress against other organisations to adopt and adapt ideas where appropriate.

Appendix 1 – Register of Directorships of directors of FNZ (UK) LTD as at 31 December 2020

Table 13 - Directorships of directors

Director	Directorships related to FNZ	Directorships unrelated to FNZ
Catherine Ann Brown	FNZ (UK) Ltd	QBE UK Limited
	FNZ TA Services Limited	QBE Underwriting Limited
	FNZ AMI Limited	Metro Bank PLC
		Additive Flow Ltd
		Cancer Research UK
		Blue Cross
		The Plastic Economy Ltd
Adrian John Durham		
UK companies	FNZ (UK) Ltd	None
	FNZ Holdings UK Limited	
	Kiwi UK IP Co, Ltd	
	FNZ UK FinCo Limited	
	Kiwi (UK) Nominee Limited Optilio Limited Saturn Technologies Ltd	
New Zealand companies	FNZ Holdings New Zealand Limited	
	FNZ Limited	
	FNZ Custodians Limited	
Australian companies	FNZ Holdings (Australia) Pty Ltd	
	FNZ (Australia) Pty Limited	
	Administration Partners Pty Limited	
	My Super Solution Pty Ltd	
	FNZ (Australia) Holdco 2 PTY Limited	
	FNZ (Australia) BidCo PTY Limited	
Singapore company	FNZ (Singapore) Services Pte. Ltd.	
Hong Kong company	FNZ (Hong Kong) Limited FNZ GBA Limited	
Cayman companies	Kiwi Holdco Cayco, Ltd	
	FNZ Group Services Ltd	
	Kiwi UK Holdco 2, Ltd	
	Kiwi IP Co, Ltd	
Susan Elizabeth Harris	FNZ (UK) Ltd	Barclays Pension Funds Trustees Limited
		Schroder & Co. Limited
		The Cooperative Bank Holdings Limited
		The Cooperative Bank P.L.C.

Director	Directorships related to FNZ	Directorships unrelated to FNZ
		The Cooperative Bank Finance P.L.C. Wates Group Limited Clarkson plc
Matthew Ferman Appointed 5 June 2020	FNZ (UK) Limited	GBST Limited GBST UK Holdings Limited GBST Hosting Limited GBST Wealth Management Limited
Kristopher Darren Love Appointed 5 June 2020	FNZ (UK) Ltd FNZ (UK) Nominees Ltd FNZ Holdings UK Limited FNZ Wealth Gross Nominees Limited FNZ Wealth Nominees Limited Kiwi UK IP Co, Ltd FNZ Germany HoldCo Limited FNZ Wealth Nominees EUR Limited FNZ Wealth Nominees USD Limited FNZ Group Services Ltd FNZ UK Finco Limited Iprotect Technologies Limited Kiwi UK Holdco 2, Ltd (Cayman) Optilio Limited	GBST Limited GBST UK Holdings Limited GBST Hosting Limited GBST Wealth Management Limited
Gregor Ninian Stewart	FNZ (UK) Ltd (UK directorship) Kiwi Holdco Cayco, Ltd (Cayman)	Churchill Insurance Company Limited Direct Line Insurance Group plc UK Insurance Limited Alliance Trust plc
John Tomlins	FNZ (UK) Ltd FNZ TA Services Limited JHC Systems Limited Rexigon Securities Limited FNZ AMI Limited	Parkhill Developments Limited London Luton Hotel BPRA Property Fund LLP
William Wallace Dobbin Appointed 10 March 2020	FNZ (UK) Ltd	Community Integrated Care Cocoon Wellbeing Limited WWD Consulting Limited Exeter Cash Plan Holdings Limited The Exeter Cash Plan

Appendix 2 – Own Funds Disclosure as at 31 December 2020

Table 14 – Own Funds disclosure

OWN FUNDS TEMPLATE	Amount in own funds (£m)	Ref to balance sheet (Appendix 3)
Common Equity Tier 1 (CET1) Capital		
Capital instruments and related share premium accounts	22.1	a
Of which: Instruments type 1	22.1	
Retained earnings	124.4	b
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	(1.1)	c
Common Equity Tier 1 (CET1) capital before regulatory adjustments	145.4	
Applicable adjustments		
Intangible assets (net of related tax liability) (negative amount)	(1.4)	d
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(1.4)	
Common Equity Tier 1 (CET1) capital	144.0	
Additional Tier 1 (AT1) capital		
Additional Tier 1 (AT1) capital before regulatory adjustments	n/a	
Tier 1 capital (T1 = CET1 + AT1)	144.0	
Tier 2 (T2) capital		
Tier 2 (T2) capital before regulatory adjustments	n/a	
Total regulatory adjustments to Tier 2 (T2) capital	-	
Total capital (TC = T1 + T2)	144.0	
Risk weighted assets		
Total risk weighted assets	393.8	
Applicable ratios		
Common Equity Tier 1 (as a percentage of risk exposure amount)	36.6%	
Tier 1 (as a percentage of risk exposure amount)	36.6%	
Total capital (as a percentage of risk exposure amount)	36.6%	

Appendix 3 – Reconciliation of Own Funds to Balance sheet

Table 15 - Reconciliation of Own Funds to Balance sheet

Balance sheet reconciliation as at December 2020	Balance (£m)	Own funds items (£m)	Reference to own funds (Appendix 2)
Non-Current Assets			
Property, plant and equipment	31.9		
Goodwill and Intangible assets	1.4	(1.4)	d
Deferred tax asset	0.2		
Current Assets			
Cash and cash equivalents	50.2		
Trade and other receivables	29.5	(6.5)	
Contract assets	138.6		
Total Assets	251.8		
Equity attributable to the equity holders			
Called up share capital[3]	25.9	17.9	a
Share premium	4.2	4.2	a
Retained earnings[4]	140.9	124.4	b
Foreign currency translation reserve[5]	(1.4)	(1.2)	c
Current liabilities			
Trade and other payables	32.0		
Contract liabilities	0.6		
Current tax liability	0.3		
Lease liabilities	6.8		
Derivative financial instruments	0.0		
Bank loan	10.0		
Non-current liabilities			
Lease liabilities	26.5		

[3] On 29 September 2020 the Company issued 8,000,000 £1 ordinary shares at par which are not included in the Company's CET1 as at 31 December 2020. FCA permission to classify the £8m as CET 1 was provided in 2021.
[4] The 2020 profits are not included in the own funds calculation as at 31 December 2020 since they are not independently verified at that point in time.
[5] Foreign currency translation reserve is a component of other comprehensive income, therefore positive movements are only reflected when independently verified.

Balance sheet reconciliation as at December 2020	Balance (£m)	Own funds items (£m)	Reference to own funds (Appendix 2)
Trade and other payables	2.5		
Total Equity and liabilities	251.8		

Appendix 4 - Features of Share Capital

Table 16 – Features of Share Capital

Share Capital								
Issuer	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd
Unique Identifier	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement
Governing laws of the instrument	UK	UK	UK	UK	UK	UK	UK	UK
Regulatory treatment								
Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
Eligible at solo/(sub)-consolidated /solo & (sub)-consolidated	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£1.1m	£3.8m	£2.5m	£1.4m	£0.3m	£6.5m	£5.0m	£1.5m
Nominal amount of instrument	£1	£1	£1	£1	£1	£1	£1	£1

Share Capital								
Issue Price	£1	£1	£25,000	£13,966	£3,466	£1	£1	£1
Redemption price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity
Original date of issuance	26 April 2005	23 May 2016	23 May 2016	28 June 2016	28 June 2016	31 December 2016	28 June 2019	23 October 2019
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Original maturity date	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No	No
Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons/dividends								
Fixed or floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating
Coupon rate and any related index	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Existence of a dividend stopper	No	No	No	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms or timings)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms or amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No

Share Capital								
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

IMPORTANT INFORMATION