



Guaranty Trust Bank (UK) Ltd

**Pillar 3 Disclosures  
For Period Ended 31<sup>st</sup> December 2023**

## 1. Introduction

### 1.1. About Guaranty Trust Bank UK Limited

Guaranty Trust Bank UK Limited (“GTBank” or “the Bank”) incorporated in England & Wales is a fully owned, independently operated, subsidiary of Guaranty Trust Bank Nigeria Limited (“GTBank Nigeria” or “the Parent”), which is wholly owned by Guaranty Trust Holding PLC (“GTCO” or “GTHoldCo”), which is a foremost Nigerian Financial Services provider and listed on the Nigerian and London Stock Exchanges.

The Bank is an authorised banking institution incorporated in the United Kingdom, authorised by the Financial Conduct Authority (“FCA”) and regulated by the Financial Conduct Authority (“FCA”) and the Prudential Regulation Authority (“PRA”) (Bank Registration No: 05969821).

### 1.2. Principal Activities of the Bank

The principal activities include the provision of mortgage lending, trade finance, correspondent banking, personal banking services, and deposit taking activities. The Bank continues to be one of the main correspondent banks in the UK, for the Parent bank, and subsidiary banks of the Parent in Africa.

The Bank offers both retail and wholesale banking products and services to private, corporate and institutional clients. It does not operate a trading book.

The primary activities of the Bank through its Network Banking, Non-Resident Banking, International Premium Banking business units, and Treasury are as follows: -

- **The provision of residential mortgages** to owner-occupiers and buy to let buyers and investors in UK residential mortgage property, primarily to individuals from Nigeria and sub-Saharan Africa. The Bank does not engage in any unsecured lending, commercial property, or property development lending.
- **Correspondent and Corporate Banking** – Focus on trade finance facilities, predominantly the confirmation, negotiation and advising of letters of credit, the provision of foreign exchange and funds transfer services to GTBank and its subsidiaries and to the Central Bank of Nigeria. In addition, payment services and advancing funds under trade finance related products to companies participating in African commodities and import/export markets, sourcing deposits from private and public sector entities from Africa with external flows and overseas business and issuing letters of credit for our customers. The Bank’s Network Banking team undertakes correspondent and corporate business.
- **Non – Resident Banking (“NRB”)** – The provision of banking services to individuals from the UK, Nigeria and other African countries, including remittance services and lending products, predominantly mortgages to finance the purchase of residential property in England and Wales. The Bank’s Non-Resident Banking team undertakes personal banking.
- **International Premium Banking (“IPB”)** – The provision of banking services to high net worth individuals, predominantly mortgages and term deposits, undertaken by the Bank’s IPB team.
- **Treasury** – Transacts in a focussed range of products involving, money market placements, the purchase and sale of treasury securities in support of the Bank’s Capital Adequacy and Liquidity Buffer requirements, FX transactions. All ‘front office’ market business is executed and managed from the Treasury department, no other front office market risk will be taken in any other business unit, although the Non-Resident Banking, International Premium Banking and Network Banking Groups are authorised to conclude foreign exchange transactions for their customers, under the guidance of the Treasury.

The Bank works closely with, and enjoys the benefits of the relationship with GTBank Nigeria and subsidiaries of the Parent, in providing structured trade finance products, and cross selling within the existing customer base of GTHoldCo.

The Bank operates from office at “10 Great Castle Street, London W1W 8LP” and does not have any subsidiaries, either in the UK or abroad.

### 1.3. Scope of Application

The Bank has no trading subsidiaries; therefore, this document only contains the Pillar 3 disclosures for Guaranty Trust Bank UK Limited. All financial data provided in these disclosures relate solely to the Bank, and not to any wider group, unless specified.

Where this document discloses credit exposures or capital requirements, the Bank has followed the scope and application of its Pillar 1 capital adequacy calculations (unless noted otherwise).

The disclosures included in the “Disclosure Report” reflect the Bank’s interpretation of the current rules, regulations, and guidance.

#### **1.4. Purpose of Pillar 3 Disclosures**

The Pillar 3 Disclosures have two principal purposes:

- To provide useful information on the capital and risk profile of the Bank; and
- To meet the regulatory disclosure requirements under the UK Capital Requirements Regulation (“CRR”) and Capital Requirements Directive (“CRD”), together referred to as CRD IV, and the PRA Rulebook.

The CRD IV framework includes following three pillars:

- **Pillar 1:** Minimum Capital Requirements (“MCR”) relating to credit, market and operational risks.
- **Pillar 2:** Firm’s own internal assessment of additional capital requirements relating to specific risks not covered by the Pillar 1 MCR. This additional capital requirement is subject to review by the PRA.
- **Pillar 3:** Disclosure of information relating to the risk assessment process and resulting capital adequacy. The Pillar 3 Disclosures are designed to promote market discipline through external disclosure of a firm’s risk management framework and risk exposures.

The Bank’s Pillar 3 disclosures complement those disclosed in the Bank’s Annual Report and Financial Statements for the year ended 31 December 2023, and provide additional information about the Bank’s risk profile, including its regulatory capital, Risk Weighted Assets (“RWA”), liquidity, and leverage exposures. The Bank’s organisational structure described in this disclosure reflects the position as at 31 December 2023.

#### **1.5. Basis of Preparation**

The Bank’s Pillar 3 disclosures comprise information on the underlying drivers of RWA, capital, leverage and liquidity as at 31st December 2023, in accordance with the United Kingdom’s (“UK”) on-shored CRR and CRD, and the PRA Rulebook. In particular, Articles 431 to 455 of CRR specify the requirements of the Pillar 3 framework. The regulations came into force on 1 January 2022, and were implemented by the PRA via the PRA Rulebook.

The UK implemented CRD V on 31st December 2020, with the aim of addressing the adequacy and effectiveness of capital and liquidity resources. This implementation included an improved approach, known as Pillar 2, for managing and controlling profit rate risk in the banking book (PRRB). Additionally, it introduced several measures specific to the European Union (EU) to promote greater consistency in both micro and macro prudential supervision, while also enhancing proportionality in prudential requirements.

The Bank’s disclosures have been prepared in line with the disclosure templates introduced by the PRA Policy Statement PS22/21 “Implementation of Basel Standards: Final rules” published in Oct 2021 and came into force on 1 January 2022.

#### **1.6. Regulatory Updates**

On 30 November 2022, the PRA published its Consultation Paper ‘Implementation of the Basel 3.1 Standards’ (CP 16/22) which covers the remaining parts of the Basel III standards to be implemented in the UK, and ‘The Strong and Simple Framework: Liquidity and Disclosure requirements for Simpler-regime Firms’ (CP4/23), in order to align with Basel 3.1 standards.

On 19<sup>th</sup> July 2023, the PRA published its Consultation Paper ‘Pillar 3 remuneration disclosure’ (CP14/23) outlining proportionate disclosure for smaller firms.

On 27 September 2023, the PRA announced their intention to move the final Basel 3.1 standards implementation date by six months to 1 July 2025 and to reduce the transitional period to 4.5 years to ensure full implementation by 1 January 2030.

On 5<sup>th</sup> December 2023, the PRA published its Policy Statements ‘Remuneration, Enhancing proportionality for small firms’ (PS16/23) and ‘The Strong and Simple Framework: Scope Criteria, Liquidity and Disclosure Requirements’ (PS15/23), following CP16/22, CP4/23 and CP14/23).

On 12 December 2023, the PRA published its Policy Statement ‘Implementation of the Basel 3.1 standards near-final part 1’ (PS17/23), which covers the Credit Valuation Adjustments (“CVA”), Counterparty Credit Risk (“CCR”), market risk and operational risk elements of the Basel 3.1 standards.

Where applicable, the Bank has incorporated guidance outlined in the above and other relevant regulatory updates.

On 12<sup>th</sup> September 2024, a second near final policy statement (PS9/24) on the implementation of Basel 3.1 standards was published by the PRA, covering: credit risk - Standardised Approach (“SA”) and Internal Ratings Based approach (“IRB”), Credit Risk Mitigation (“CRM”), output floor, reporting and disclosure.

### **1.7. Frequency and Location of Publication**

The Bank publishes its Pillar 3 disclosures annually in accordance with the UK regulators’ requirements, on its website “<http://www.gtbankuk.com>”.

### **1.8. Review of Pillar 3 Disclosures**

The Pillar 3 disclosures for 2023 have been subject to internal review procedures consistent with those undertaken for audited information published in the Annual Report and Financial Statements for the year ended 31 December 2023.

### **1.9. External Audit**

The information contained in these Pillar 3 disclosures, is not required to be, and has not been, audited by the Bank’s external auditors, except where they are equivalent to those prepared under accounting requirements for inclusion in the Bank’s Annual Report and Accounts.

### **1.10. Board’s Responsibility for Risk Management**

The Board has overall accountability and ownership for ensuring that the Bank has an appropriate system of risk management in place to ensure risks in the bank are quantified, identified, assessed, managed, mitigated and reported. The Board considers that, as at 31st December 2023, it had in place adequate systems and controls regarding the Bank’s risk profile and strategy. Furthermore, the Board can confirm that the Bank remained within defined regulatory limits for risk exposure throughout the year for all principal risks.

## **2. Management Framework**

### **2.1. Overall Organisation and Management Structure**

Under the Senior Management and Certification Regime (“SMCR”), the Executive Director (“ED”) is directly responsible to the Board and regulator for ensuring there is a clear and appropriate allocation of significant responsibilities amongst senior managers.

All Heads of Departments (“HoDs”) are responsible for managing business performance in line with the Bank’s overall risk appetite and tolerances. This requires them to manage their areas in line with operational performance targets and objectives cascaded from the Bank’s business plan, regulatory and economic capital limits flowing from the regular review of business performance, in accordance with risk exposure limits set within the Bank’s risk policies.

The framework of the operating model of various departments and functions of the Bank has been designed to ensure efficiency, transparency, accountability and effective control. The operating model framework of the main departments and functions of the Bank is set out below.

### **2.2. Three Lines of Defence Operating Model**

The Bank has adopted a Three Lines of Defence model to manage its risks and support the ERMF:

- Primary responsibility for the identification, control, monitoring and mitigation of risk lies with the operational areas (First Line of Defence).
- Oversight and governance is provided through Risk and Compliance functions and dedicated Risk Committees (Second Line of Defence).
- Finally, assurance is provided by Internal and External Audits and overseen by the Board Audit Committee (“BAC”) (Third Line of Defence).

### **2.2.1. The First Line of Defence – Own & Manage Risks**

The First Line of Defence is comprised of the functions that own and manage the risk (as identified by the Bank’s risk register). The primary responsibilities include:

- Own, understand and manage risks inherent in their roles, specific to their lines of business.
- Operate to remain within the risk appetite set by the Board.
- Implement corrective actions to address process and control deficiencies.
- Maintain effective internal controls for executing risk and control procedures on a day-to-day basis.
- Proactively identify, assess, manage, control and mitigate risks.
- Set and manage business policies and controls, and monitor these through Key Performance Indicators (“KPIs”), Key Risk Indicators (“KRIs”) and other Management Information (“MI”) metrics.
- Provide support in the development and implementation of internal policies, standards, processes and procedures and ensure that activities are consistent with the Bank’s strategic goals and business objectives.
- Work to deliver good customer outcomes.

### **2.2.2. The Second Line of Defence – Oversee & Challenge Risks**

The Second Line of Defence comprises the control functions that oversee risk management and compliance including financial crime. The Second Line of Defence is independent from the First Line of Defence and is primarily provided by Risk Management and Regulatory Compliance, Internal Control, and Financial Crime Compliance. The prime responsibilities include:

#### **2.2.2.1. Risk Management and Regulatory Compliance (“RMRC”)**

##### **➤ Risk Management Function**

The Risk Management function supports the Board-mandated Risk Committees to fulfil their delegated responsibilities in respect of risk governance. This Second Line of Defence function covers each of the significant categories of risk, namely retail, commercial and treasury credit risk, market risk, liquidity risk, and operational risk, and plays a major role in supporting the various departments of the Bank to manage their risks effectively on a day-to-day basis.

The Risk Management function is responsible for the maintenance and review of the Bank’s risk policies and appetites and submits changes and recommendations to the relevant management and Board committees. It also has oversight over the ERMF and monitors the effectiveness of these in maintaining the Bank’s risk profile within the tolerances set by the Board.

The function reviews each credit proposal and limit application submitted by the business units and adds its support or raises any concerns before proposals are submitted to the MCC. It is also responsible for day-to-day monitoring of individual and grouped credit exposures against agreed limits and for monitoring the credit risks inherent in such limits. The function has the authority to suspend limits, should the need arise. The credit risk profile of the Bank is reported to the BCC at its regular meetings.

Market risk is independently monitored, whilst the adequacy of the Bank’s Capital and Liquidity positions are reviewed daily. Regular capital and liquidity stress testing is undertaken and reported to ALMAC.

The function facilitates regular risk self-assessments throughout the Bank and collects Key Risk Indicator (“KRI”) metrics from the operating departments to measure Operational Risk. The results are analysed and trends are reported to the MRC and the BRCC.

The Risk Management function proposes stress and scenario tests to the relevant Board committee and analyses the results of the tests. These are reported to the relevant management committee. Any recommendations for action as a result of stress and scenario testing are presented to the relevant Board committee.

The Board of Directors is satisfied that the Head of Risk Management and Regulatory Compliance is independent from the business units he oversees and has appropriate authority. Remuneration of this officer is directly overseen by the Board Remuneration Committee. He cannot be removed from this position without prior, specific, agreement of the BRCC and Board.

#### ➤ **Regulatory Compliance Function**

The compliance function stands at the intersection between auditing, internal control and management’s legal responsibilities and is the guardian of the Bank’s Code of Conduct. It acts as a separate discipline in the Second Line of Defence and has responsibility and acts in relation to all aspects of the Bank’s operations with particular responsibility in connection with:

- Regulatory authorities
- Laws and regulations
- Other Internal directives
- The specific requirements for training and competence within the regulators’ rulebook; and
- Ensuring that the Bank’s customers are treated fairly
- Ensuring that any complaints received from customers are recorded and dealt with appropriately

The Bank’s Regulatory Compliance function proposes policies and procedures for monitoring and reviewing the Bank’s adherence to the regulations, laws and principles governing the Bank.

The function reports to each meeting of the BRCC. It also provides input to the quarterly MRC.

The Head of Risk Management and Regulatory Compliance reports administratively to the Executive Director and also has a functional reporting line to the Board, overseen by the Chairman of the BRCC.

#### **2.2.2.2. Financial Crime Compliance (“FCC”)**

- Provide oversight of financial crime monitoring.
- Oversight of Anti-Money Laundering (“AML”) requirements in relation to the SYSC Sourcebook and the Joint Anti-Money Laundering Steering Group guidelines and the Money Laundering Regulations, and monitoring compliance therewith.
- Provide regular updates of FCC activity in the Bank to the Management via AMLOC, and to the Board. The function also reports directly to the Board on financial crime issues.
- Escalate any breaches of financial crime compliance through the Bank’s governance structure, to its Board and regulators, as required.
- Provide financial crime compliance training for the Bank, as required.

The Head of the Bank’s FCC function is the Bank’s Money Laundering Reporting Officer (MLRO).

#### **2.2.2.3. Internal Control**

- Internal Control monitors & review the Bank’s systems, policies, standards, guidelines, process, plans, and procedures to safeguard Bank’s assets, limit / control risks and achieve the Bank’s objectives.
- The Internal Control is responsible for providing assurance to the executive management on the effectiveness of controls mitigating current and evolving risks and in so doing enhancing the controls

culture within the organization. The Head of Internal control ensures on an ongoing basis a continuous monitoring of management controls and reporting on their adequacy to Executives and the MRC.

- Internal control assists executive management as an oversight function by:
  - Providing assurance that controls are in place to mitigate risks.
  - Providing assurance that existing controls are effective & adequate and make recommendations where necessary.
  - Providing assurance that processes and procedures are complied with to avoid operational losses.
  - Monitoring the timeliness of regulatory reporting and annual review of policies and procedures.

#### **2.2.2.4. Information Security**

- The Information Security team report to the Chief Information Officer (“CIO”); however, they also have a functional reporting (matrix / dotted) line to Risk Management. The information security team is responsible for oversight of the Bank’s IT infrastructure, to ensure the Bank and its customers are protected from internal or external operational activities, including cyber threats, that may compromise the Bank’s safe guardianship of sensitive information.

#### **2.2.3. The Third Line of Defence – Independent Assurance**

The Third Line of Defence is represented by an independent Internal Audit function that provides an independent assurance on the First Line of Defence and Second Line of Defence activities and reports to the Bank’s BAC.

##### **➤ Internal Audit**

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Bank’s operations. As part of the Third Line of Defence, it helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance. This involves ensuring that controls are in place and working effectively in accordance with the Bank’s policies and procedures as well as with laws and regulations, and that the Bank’s records and reports are accurate and reliable.

The work carried out by Internal Audit includes providing assurance on the effectiveness of the Second Line of Defence functions as well as that of controls operated by operating departments. The BAC approves the Annual Audit Plan and receives regular reports of the results of audit work.

The Head of Internal Audit reports functionally to the Board Audit Committee and administratively to the Bank’s Managing Director. He cannot be removed from position without the prior, specific approval of the Board Audit Committee.

The Board Audit Committee is satisfied that the Bank’s Internal Audit function is independent from the business units it oversees, and that it has sufficient authority within the Bank.

#### **2.2.4. External Auditors, Regulators, and Other External Governance Bodies**

External auditors, regulators, and other external governance bodies reside outside the Bank’s structure, but they have an important role in the Bank’s overall governance and control structure. When coordinated effectively, external auditors, regulators, and other external bodies outside the Bank can be considered as additional lines of defence, providing assurance to the Bank’s shareholders, the Board and the Executive Management.

#### **2.2.5. Number of Employees**

As at 31<sup>st</sup> December 2023, the Bank employed 92 staff (31<sup>st</sup> December 2022: 91) on a full time equivalent basis.

The Bank is an equal opportunity employer and is committed to equality and diversity.

### 3. Risk Management Objectives and Policies

The Bank has an effective and robust Enterprise Risk Management and Control Framework (“ERMF”) in order to effectively identify, assess, manage, monitor, report, control, and mitigate various risks within the Bank.

The ERMF ensures that the management of risk-taking activity is consistent with the Bank’s strategy, risk appetite, and as well as is in line with the regulatory requirements appropriate for the level and type of risks that the Bank takes and to which it is subject.

The Board adopts a prudent approach when deciding upon its appetite for risk in order to take a long-term view of value creation. As such, the Board has agreed to adopt an overall prudent Risk Appetite.

#### 3.1 Risk Taxonomy

The Bank is exposed to the following main categories of risk:

Risk Category	
Business Risks	Operational Risks
Risks taken for superior strategic returns which have associated Expected Losses (“EL”) and Unexpected Losses.	Risks resulting from inadequate or failed internal processes, people and systems, or from external events and generate no strategic benefit.
Risk Mitigation Objective	
Reduce likelihood and impact cost-effectively.	Avoid or eliminate occurrence cost-effectively.
Relationship of RMRC Department with Business	
Act as independent facilitators, independent experts, or embedded experts.	Act as independent overseers and challengers.

The Board classifies the above categories into the following principal risk types; -

Risk Category	Principal Risk Types	Description
Business Risks	Strategic Risk	Risk of losses from not choosing to do the right thing.
	Credit Risk	Risk of losses from receivables not having their expected value.
	Capital Risk	Risk of not meeting the regulatory capital requirements.
	Market Risk	Risk of losses from value changes of financial instruments.
	Liquidity Risk	Risk of inability to fund assets or meet obligations.
Operational Risks	Culture & Conduct	Risk of damaging the standing of the Bank in the market.
	Operational Risk	Risk of losses from not doing things correctly.
	Operational Resilience	Risk of losses from technology and operational failures or unauthorized access, use, disruption or destruction of assets and processes.
	Compliance Risk	Risk of losses from not complying with laws and regulations.

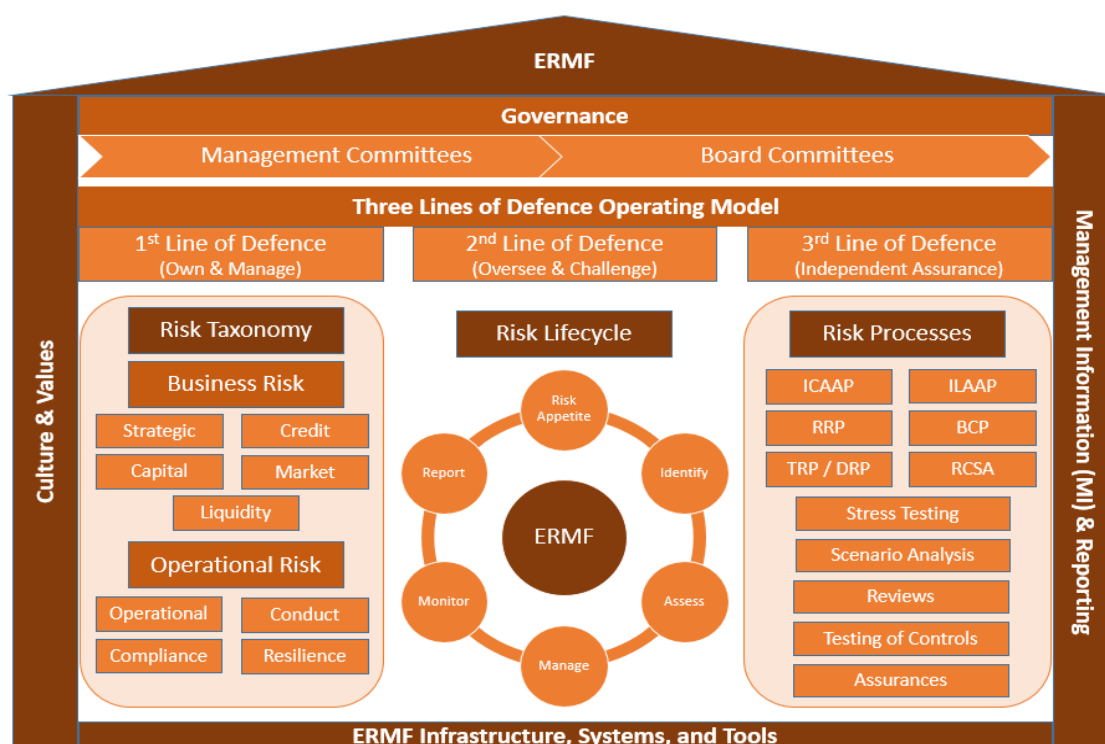
Each risk type is further divided in different risk sub-types. These risk sub-types are described in more detail in the Risk Appetite Statement and the respective policies.

#### 3.2 Enterprise Risk Management and Control Framework (“ERMF”)

The Bank has identified the following key components relevant for ERMF:



**Figure 1: Key Components of ERMF**



*(Risk processes outlined above include ICAAP (Internal Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Assessment Process), Recovery and Resolution Plan (RRP), Business Continuity Plan (BCP), Technology Recovery Plan (TRP), Disaster Recovery Plan (DRP), Risk and Control Self-Assessment (RCSA))*

The diagram above represents the Bank’s high-level risk management framework. The strategic direction of the Bank is set by the Board, which also sets the Bank’s risk appetite and risk tolerance.

The Bank’s management formulates forward looking business and operating plans to tactically implement the strategic plan within the agreed risk tolerances. This plan is agreed by the Board.

The Board also agrees the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”), Internal Liquidity Adequacy Assessment Process (“ILAAP”), Recovery, and Resolution Plans (“RRP”), which provide frameworks to ensure that sufficient capital and liquidity are in place to support the business activities and risk exposures.

The interlinked risk appetite, capital plan, strategy and operating plan are interpreted in the business through:

- Risk principles
- Identification of key risks
- The Risk Governance framework
- Risk appetite
- Risk policies
- Stress testing

These, in turn, provide the structure through which the specific risks inherent in the business are managed. The major risks faced by the Bank are highlighted in this diagram. Operational risk covers a number of more specific risks such as legal risk, compliance risk and business continuity risk.

At a more detailed level, these risks are controlled and managed through specific policies, frameworks, infrastructure and procedures focusing on the key risks and implemented at the business line level.

**3.3 Risk Management Policies**

List of reference and related documents is as under:

Principal Risks	Documents
Strategic Risk	<ul style="list-style-type: none"> <li>▪ Risk Appetite Statement (“RAS”) Framework</li> <li>▪ Enterprise Risk Management and Control Framework (“ERMF”)</li> <li>▪ Environmental, Social, and Governance (“ESG”) Framework</li> </ul>
Credit Risk	<ul style="list-style-type: none"> <li>▪ Credit Risk Management Framework (“CRMF”)</li> </ul>
Capital Risk	<ul style="list-style-type: none"> <li>▪ Internal Capital Adequacy Assessment Process (“ICAAP”)</li> <li>▪ Stress Testing and Scenario Analysis Framework</li> </ul>
Market Risk	<ul style="list-style-type: none"> <li>▪ Market Risk Management Framework</li> </ul>
Liquidity Risk	<ul style="list-style-type: none"> <li>▪ Liquidity Risk Management Framework</li> <li>▪ Internal Liquidity Adequacy Assessment Process (“ILAAP”)</li> </ul>
Culture & Conduct	<ul style="list-style-type: none"> <li>▪ Code of Conduct &amp; Ethics</li> <li>▪ Conduct Risk &amp; Consumer Duty Framework</li> </ul>
Operational Risk	<ul style="list-style-type: none"> <li>▪ Operational Risk Management Framework (“ORMF”)</li> </ul>
Operational Resilience	<ul style="list-style-type: none"> <li>▪ Operational Resilience Framework</li> <li>▪ Business Continuity Management (“BCM”) Policy</li> <li>▪ Information Security Policy</li> <li>▪ Third Party Risk Management Framework (“TPRMF”)</li> <li>▪ Recovery Pack and Resolution Plan (“RRP”)</li> </ul>
Compliance Risk	<ul style="list-style-type: none"> <li>▪ Financial Crime Prevention Policy</li> </ul>

**4 Governance**

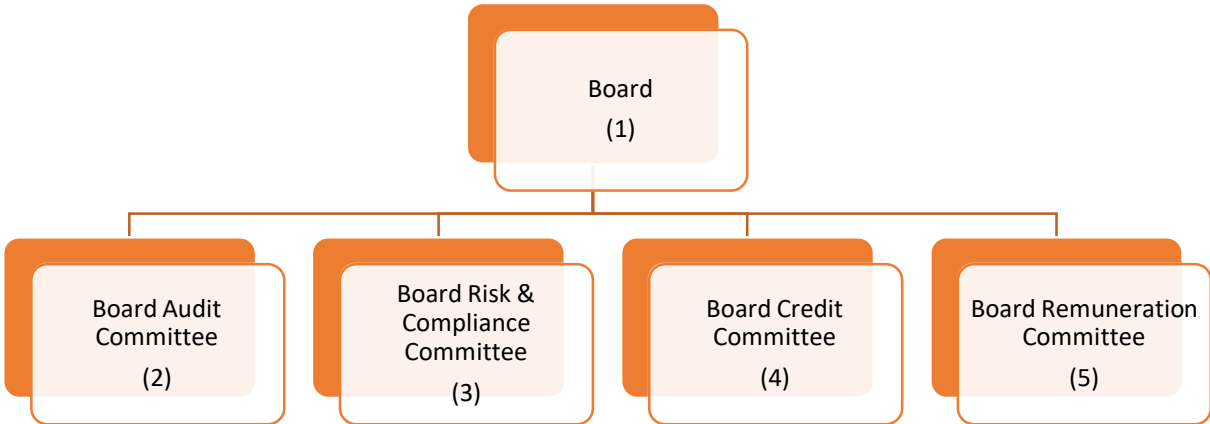
The Bank views good governance as essential to creating and preserving value for its shareholders and other stakeholders (in particular customers). This includes a sound approach to corporate governance that complies with all applicable laws, rules, regulations and policies as well as unwavering adherence to Bank’s values.

The Bank’s Board commitment to ERMF is reflected in the establishment of governance and management committees to ensure that ERMF considerations are seen as business as usual (“BaU”).

**4.1 Committee Structure**

In order to facilitate, efficient control and ensure transparency and prudence in the management and operations of the Bank, the Board has delegated authority to various organisational levels and bodies / committees within the organisation. In this regard, the Bank operates four sub-committees of the Board in parallel with six main executive management committees:

**Figure 2: Board Committee Structure**



**Figure 3: Executive Committee Structure**



#### 4.2 The Board of Directors

The ultimate governing body of the Bank is the Board of Directors (the “Board”) which is responsible for the Bank and oversees senior management and the implementation of the Bank’s strategic objectives, its risk strategy and its internal governance, all of which it reviews on a regular basis. The Board consists of four Non-Executive Directors (“NEDs”), two of whom are independent (“INED”), together with the Bank’s Managing Director (“MD”) and Executive Director (“ED”). The Chairman of the Board does not act as the Bank’s Managing Director / Chief Executive Officer (“CEO”).

As at 31st December 2023, Board members hold one directorship with commercial institutions other than the Bank and the GTBank Group. No individual director holds more than either one Executive and two Non-Executive, or four Non-Executive Directorships in commercial organisations.

The Board articulates the Bank’s business strategy and objectives, oversees disclosures and communications, is responsible for providing effective oversight of senior management, monitors and reviews overall performance and ensures that all of the Bank’s activities are in line with its overall objectives and risk appetite and that all relevant regulations are complied with. The Board of Directors meets four times a year, as a minimum.

All Board members are required to act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor management decision making. The Chairman, chairs of the Board sub-Committees (Audit, Credit, Risk and Compliance and Remuneration) together with the Managing Director and the Executive Director hold Senior Management Functions under the Senior Management and Certification Regime (“SMCR”).

Due to the size of the Board, and limited turnover in its membership, it has not appointed a committee to review Board appointments, but has adopted a Directors’ Assessment, Selection and Succession Planning Policy, setting out the required standards which Board Directors are required to maintain, in terms of knowledge, experience, probity, diversity etc. It also annually assesses the structure, size, composition and performance of the Board, and the knowledge and experience of Board members. Training and information is provided to the Board where required, to ensure that members are able to execute their responsibilities. Individual Board members will usually be involved in the appointment of senior members of the Bank’s staff. The Bank is committed to the principle of equal opportunity in employment for all employees. This principle also applies to the membership of the Board.

The Board has delegated responsibility for ensuring compliance with the Money Laundering Regulations to the Executive Director.

The Board has delegated certain powers to the following sub-committees, whilst retaining full responsibility for all Board Committee actions and decisions:

### **4.3 Board Sub-Committees**

All Board Sub-Committees report directly to the Board of Directors and meet four times a year, as a minimum, apart from the Board Remuneration Committee which may meet less frequently as a result of the annual nature of its responsibilities.

#### **4.3.1 Board Audit Committee (“BAC”)**

The BAC comprises three Non-Executive Directors, two of whom are independent and ensures that the Bank adheres to all policies and procedures set by the Board. Its more detailed responsibilities involve the review of the Internal Audit scope and annual programme, the review of the external audit scope, and the analysis of audit reports (including oversight of completion of Internal Audit actions) and proposals to amend operating procedures. The BAC also ensures the integrity of the accounting and financial reporting of the Bank, reviewing the Bank’s annual financial accounts and these disclosures, before recommending them to the Board. The Bank’s external auditors attend meetings of the BAC. The BAC receives reviews and challenges reports from the Head of Internal Audit and verbally reports on all BAC meetings to the Board. It is chaired by an Independent Non-Executive Director (“INED”).

#### **4.3.2 Board Credit Committee (“BCC”)**

The BCC is responsible for all credit related risks at the Bank and approves and reviews the Credit Risk Management Framework (“CRMF”) and all associated documents. The Committee reviews all advances granted by the Bank and approves specific loans and bank placement limits above the Management Credit Committee’s delegated authorities. The membership comprises the Managing Director, the Executive Director and two Non-Executive Directors (one of whom is independent) and the Committee is chaired by an Independent Non-Executive Director (“INED”).

#### **4.3.3 Board Risk and Compliance Committee (“BRCC”)**

The BRCC is responsible for recommending policies to the Board on the Bank’s risk profile and limits, and for assessing the adequacy of the Bank’s risk management framework. Its membership comprises the Managing Director, Executive Director and three Non-Executive Directors, two of whom are independent. The Committee is chaired by an Independent Non-Executive Director (“INED”).

#### **4.3.4 Board Remuneration Committee**

The Board Remuneration Committee consists of three non-executive directors, two of whom are independent, and is chaired by an Independent Non-Executive Director (“INED”). The function of the Remuneration Committee is to review the Bank’s Remuneration Policy, to ensure that it meets the requirements of SYSC 19D, CRD and other applicable regulation including SS2/17. The Committee also reviews the remuneration of the Managing Director, the Executive Director and the Heads of Compliance, Risk Management and Internal Audit.

### **4.4 Management Committees**

#### **4.4.1 Executive Management Committee (“EMC”)**

The function of this advisory Committee is to support the Bank’s Executive in fulfilling their oversight responsibility over the Bank’s day to day operations. This includes review of the financial performance of the Bank, including the analysis of strategy, the external business environment and performance outlook. The EMC also considers people and talent management issues, as well as overall governance and risk management. Matters arising from EMC will be escalated to the Bank’s Board of Directors as required, by the Executive management.

#### **4.4.2 Management Risk Committee (“MRC”)**

This Committee provides input for the BRCC and is responsible for the regular analysis and consideration of risk policies, risk appetite and all risks with the potential to impact the Bank. MRC reviews environmental, compliance issues and operational risks which impact, or are likely to impact the Bank. It also provides recommendations to BRCC as to the steps to be taken to mitigate such risks. Whilst MRC has an overview of market risk, the monitoring of this area is performed by ALMAC. Terms of reference (“ToR”) for MRC are subject to periodic review by the BRCC.

#### 4.4.3 Management Credit Committee (“MCC”)

MCC provides input to the BCC and is authorised to approve credit facilities within certain limits. The Committee also monitors the quality of credit risk exposures, CRMF, and credit risk appetite. ToR for MCC are subject to periodic review by the BCC.

#### 4.4.4 Asset and Liability Management Committee (“ALMAC”)

ALMAC provides input to the BRCC and is responsible for the monitoring and management of the Bank’s asset and liability profiles and its liquidity position, with a view to ensuring that the Bank is able to meet its obligations as they fall due. ALMAC is also responsible for monitoring liquidity and market risk performance against policy limits and risk appetite set by the Board and for reviewing the Bank’s liquidity policy and its Internal Liquidity Adequacy Assessment Process (“ILAAP”). ToR for ALMAC are subject to periodic review by the BRCC.

#### 4.4.5 AML Oversight Committee (“AMLOC”)

AMLOC provides input to the Board. It meets monthly to review the Bank’s Anti Money Laundering policies and procedures and monitors customer on-boarding, periodic customer review, suspicious activity reports, regulatory orders, sanctions matching and transaction monitoring. ToR for AMLOC are subject to periodic review by the Board.

## 5 Key Metrics

### 5.1 Financial Performance

The figures in the below table are as quoted in the Bank’s Financial Statements (Accounts) and, as such have been audited by the Bank’s external auditors, Mazars LLP. Full details regarding the Bank’s overall financial position can be found in the Annual Report and Financial Statements (the Accounts) FYE 31 December 2023.

**Financial Performance (GBP ‘000’)**

	2023	2022
Net Interest Income	19,507	10,194
Operating Income	27,462	17,529
Profit / (Loss) before Taxation	13,959	5,122
Taxation (Charge) / Credit	(3,552)	(1,247)
Profit / (Loss) after Taxation	10,407	3,875
Total Comprehensive Income / (Loss)	11,046	3,255

### 5.2 Key Prudential Metrics

A table of relevant key risk metrics is provided below to evidence the Bank remains both well capitalised and very liquid.

**Key Metrics (GBP ‘000’)**

Available Own Funds (Amounts in GBP ‘000’)	31st December 2023	31st December 2022
Common Equity Tier 1 (CET1) capital	37,000	37,000
Tier 1 Capital	39,391	28,345
Total Capital	39,391	28,345
<b>Risk-Weighted Exposure Amount</b>		
Total Risk-Weighted Exposure Amount	105,275	187,034
<b>Capital Ratios (as a percentage of risk-weighted exposure amount)</b>		
Common Equity Tier 1 ratio (%)	32.34%	20.68%
Tier 1 ratio (%)	32.34%	20.68%
Total capital ratio (%)	32.34%	20.68%
<b>Combined buffer requirement (as a percentage of risk weighted exposure amount)</b>		

Capital conversion buffer (%)	2.50%	2.50%
Institution specific countercyclical capital buffer (%)	2.00%	1.00%
Combined buffer requirement (%)	4.50%	3.50%
Overall capital requirement (%)	14.67%	15.98%
CET1 available after the total SREP own funds requirements (%)	17.67%	4.70%
<b>Leverage ratio</b>		
Leverage ratio excluding claims on central banks (%)	6.00%	4.38%
<b>Liquidity Coverage Ratio</b>		
Total high-quality liquid assets (HQLA) (Weighted value) average of last 12mths	230,533	176,600
Cash outflows - Total weighted value	199,752	252,991
Cash inflows - Total weighted value	125,298	189,743
Total net cash outflows (adjusted value)	74,454	63,248
Liquidity coverage ratio (%)	250%	274%
<b>Net Stable Funding Ratio (NSFR)</b>		
Total available stable funding	194,572	214,036
Total required stable funding	62,864	84,527
Net Stable Funding Ratio (%)	310%	253%

- At present, the Bank is not within the scope of the UK Leverage Framework Regime as its deposit levels are less than £50 billion. The Bank, as per its risk appetite, maintains a prudent limit well above the PRA prescribed minimum leverage ratio requirement for larger institutions.
- The leverage ratio is calculated per the CRD IV which measures the relationship between Tier 1 capital and total assets (on-balance sheet and off-balance sheet assets), to supplement risk-based capital requirements. Pillar 1 is the system-wide standard minimum percentages applicable to all banks. Must be held at all times.
- On top of Pillar 1, a number of buffers are required to address capital conservation and to absorb losses in times of stress, capital built up in response to credit conditions in the macroeconomic environment, i.e., counter cyclicity.
- Pillar 2A is the Bank's specific requirement by the regulator, within which the Bank assesses credit concentration risk, Interest Rate Risk in the Banking Book ("IRRBB"), and operational risk to compensate for shortcomings of the Pillar 1 standardised approach.
- PRA Buffer is Bank's specific requirement of the regulator that captures forward-looking risks and potential losses under a severe stress scenario. The PRA buffer is a capital buffer that is designed to ensure that the Bank can continue to meet minimum requirements (Pillar 1 and Pillar 2A) during a stressed period. The buffer also accommodates add-ons which may be applied by the regulator to cover Group Risk and Risk Management and Governance scalars.

## 6 Capital Resources

### 6.1 Structuring of CRD IV Framework

The CRD IV framework is structured around 3 Pillars, where:

- Pillar 1 – Minimum Capital Requirements ("MCR"): Defines rules for the determination of the capital requirement relating to credit, operational, and market risk.
- Pillar 2 – Supervisory Review and Evaluation Process ("SREP"): Requires banks to undertake an Internal Capital Adequacy Assessment Process ("ICAAP") for risks not included in Pillar 1.
- Pillar 3 – Market Discipline: Refers to the "Disclosures" and requires individual banks to disclose key information which allows investors and other market participants to understand their risk profiles.

**6.2 Capital**

Capital consists of reserves and instruments issued that are available that have a degree of permanency and are capable of absorbing losses. A few strict conditions set by regulators must be satisfied to be eligible to count as capital.

Capital adequacy risk is the risk that there is or will be insufficient capital and other loss-absorbing debt instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite and supporting its strategic goals.

There are two types of capital ratios based on different exposure types:

- Capital Adequacy Ratio (“CAR”): The is mainly RWA exposure type and assesses capital held against both size and inherent riskiness of on and off-balance sheet exposures.
- Leverage Ratio: This is mainly leverage exposure type and assesses capital held against the size of on and off-balance sheet exposure (largely based on accounting value with some adjustments).

**6.3 Composition of Capital**

Capital is categorised by the CRR under two tiers (Tier 1 and Tier 2) and there are three broad categories of capital across these two tiers:

- Common Equity Tier (“CET1”) Capital: This includes ordinary shares issued and retained earnings. CET1 capital absorbs losses before other types of capital and any loss-absorbing instruments.
- Additional Tier 1 (“AT1”) Capital: This is the second form of loss-absorbing capital and must be capable of absorbing losses on a going concern basis.
- Tier 2 Capital. Tier 2 capital is supplementary capital and absorbs losses after Tier 1 capital. It typically consists of subordinated debt securities.
- See Table 5 for a breakdown of the Bank’s capital composition as at 31<sup>st</sup> December.

**6.4 Risk-Weighted Assets (“RWAs”)**

Capital Adequacy Ratios (“CAR”) compare the amount of capital held to RWAs. RWAs are a measure of the Bank’s assets and off-balance sheet exposures. RWAs are grouped into the following categories:

- Credit: Risk of losses from receivables not meeting their obligations. The definition of credit risk includes security / collateral and associated legal risk.
- Operational: Risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. The definition includes IT risk, model risk, legal risk, and HR risk.
- Market: Risk of losses from value changes of financial instruments.

**6.5 Approaches to Calculate RWAs**

With the regulator’s approval, the Bank uses the simple proportionate approach as under:

Pillar 1 Risk	Approach	Description
Credit Risk	Standardised Approach	Regulatory capital requirements are calculated by multiplying the value of the Bank's exposure by an appropriate risk weight. The risk weight is determined by the credit rating of the counterparty, where available, as well as the type of exposure and is based on standard weights set out in the applicable capital regulations.
Operational Risk	Basic Indicator Approach	Regulatory capital is calculated by taking a single risk-weighted multiple (15%) of the Bank’s three-year average gross operating income.
Market Risk	Position Risk Requirement	For Foreign Currency: Regulatory capital is calculated by applying a minimum capital ratio to total foreign currency exposure.

In line with UK regulatory requirements, the Bank undertakes an annual self-assessment of its internal capital requirements through its ICAAP. Any amount of additional capital required is assessed by the PRA during its SREP.

## 7 Capital Risk

### 7.1 Available Capital

The Bank complied with the capital requirements that were in force as set out by its Board and the Bank's regulators. Tier 1 Capital comprises paid-up share capital and the Profit & Loss reserve less intangible assets. The Bank has no hybrid capital or other capital instruments. The following table shows the breakdown of the total available capital as at 31<sup>st</sup> December:

Available Capital	2023	2022
Paid-up share capital	37,000	37,000
Profit and Loss reserve	2,381	(8,026)
Fair value reserve for available-for-sale	10	(629)
Intangible Assets	-	-
<b>Sub-Total</b>	<b>39,391</b>	<b>28,345</b>
<b>Tier 2 Capital</b>	-	-
Subordinated Debt	-	-
<b>Total Capital Available</b>	<b>39,391</b>	<b>28,345</b>

### 7.2 Capital Management and Internal Capital Adequacy Assessment Process

The Bank determines its minimum capital resource requirement in accordance with the CRD IV.

The Bank undertakes an Internal Capital Adequacy Assessment Process ("ICAAP"), which is an internal assessment of its capital needs. This internal assessment is an evaluation of all risks for the Bank which are not adequately mitigated by provision of regulatory capital. The ICAAP is performed annually, or more frequently should the need arise. The ICAAP documents all material risks identified by the Bank to determine the capital requirement over at least a three-year horizon, and includes stressed scenarios to guide the Bank's strategic planning and to satisfy regulatory requirements. Where capital is deemed as not being able to mitigate a particular risk, alternative management actions are identified.

The ICAAP is presented to the Management Risk Committee and then to the Board (with whom ultimate responsibility lies) for challenge and approval. The regulator assesses the Bank's ICAAP on a regular basis and sets Individual Capital Guidance ("ICG") for the Bank.

Regulatory and internal capital adequacy is monitored on a daily basis by the Risk Management function. It is reported daily to the executive, monthly to the ALMAC and quarterly to the MRC, BRCC, and the Board. An assessment of the impact on internal and regulatory capital adequacy is made before launching any new products or undertaking new activities, or entering into significant transactions. Approval from the Risk Management function is required prior to entering into transactions which require the allocation of capital.

As part of the ICAAP process (and as noted above) the Board has identified a number of other risks faced by the Bank which do not attract capital under the Pillar 1 rules. The Bank has allocated additional capital requirements for these additional Pillar 2 risks.

The regulator also introduced a requirement for banks to hold additional capital to enable it to withstand events which are outside of its direct control, such as a deterioration of the macro-economic environment. This additional capital is referred to as the Capital Planning Buffer. In conjunction with the regulator, the Bank may also hold a PRA buffer, which it holds in addition to other capital requirements. The total capital requirement of the Bank is determined as the sum of:

- Pillar 1 capital requirements
- ICG set by the PRA in respect of the Bank's Pillar 2 requirements
- PRA Buffer, where applicable, and



- Capital Conservation Buffer (“CCoB”) and Countercyclical Buffer (“CCyB”) as set by the PRA from time to time.

In the view of the Bank, and in line with its ICAAP, the excess of capital resources over and above its total capital requirement is sufficient to meet its existing and planned capital needs. Capital adequacy is stress tested against severe but plausible stress scenarios on a monthly basis, with the results being reported to ALMAC. Results of the latest capital stress test are also reported to each MRC and BRCC meeting quarterly.

### 7.3 Minimum Capital Requirement – Pillar 1

The Bank’s overall minimum capital resource requirement under Pillar 1 is calculated by adding the credit risk charge to that required for operational risk using the basic indicator approach, and the position risk requirement for the market risk element.

The following table shows both the Bank’s overall minimum capital requirement and capital adequacy position under Pillar 1 at 31<sup>st</sup> December:

**Minimum Capital Requirement (“MCR”) – GBP ‘000’**

<b>Total Minimum Capital Requirement</b>	<b>2023</b>	<b>2022</b>
Credit Risk (Standardised Approach)	5,712	9,343
Market Risk	13	17
Operational Risk	2,643	1,602
<b>Pillar 1 requirement</b>	<b>8,368</b>	<b>10,963</b>
Total Capital Resource	39,391	28,345
<b>Excess of Capital Resource over capital requirement under Pillar 1 and additional capital guidance.</b>	<b>22,654</b>	<b>6,421</b>

### 7.4 Pillar 2 Disclosures

The Pillar 1 capital requirements detailed above represent the minimum amount of capital that a Bank is required to hold in relation to credit, market and operational risk; however, given that Banks’ business models differ, the amount of capital required by the Bank to support its own business model may be higher than the Pillar 1 requirement.

Following a review of the Bank’s ICAAP, the regulator has provided the Bank with Individual Capital Guidance (“ICG”) in relation to its Pillar 2 exposures and required it to maintain a PRA buffer.

The Bank can confirm that during 2023 it has maintained sufficient capital to comply with the stricter of its own Pillar 2 assessments and ICG.

### 7.5 Total Capital Requirement (“TCR”)

In line with UK regulatory requirements, the Bank calculates its capital adequacy as follows:

- Firstly, the Bank calculates its “Pillar 1 exposure amount”, being its risk weighted credit exposure, together with prescribed exposures for Operational and Market risks.
- Secondly, the Bank calculates the amount of capital that it is required to set aside under Pillar 2 along with any PRA and capital planning (CCoB, CCyB) buffers.
- Finally, the Bank calculates the ratio of its capital to this total requirement.

### 7.6 Leverage

Leverage is defined as the Bank’s Tier 1 capital divided by the Bank’s total on and off balance sheet exposures, expressed as a percentage. In calculating its leverage, the Bank has elected to use its Tier 1 capital and has not applied any of the derogations permitted by the Regulation.

As at 31<sup>st</sup> December 2023, the Bank’s leverage ratio was 8.29% (31<sup>st</sup> December 2022: 4.38%). This has been calculated by applying the Bank’s Tier 1 capital of £39,390,993 (31<sup>st</sup> December 2022: £28,344,378) against total on and off-balance sheet footings of £475,263,939 (31<sup>st</sup> December 2022: £ 644,079,998).

The PRA PS21/21 introduced changes to the UK leverage ratio framework, whereby all firms are expected to manage their leverage ratio at the same levels as firms in scope, with the minimum being 3.25% from 1 January 2022.

In order to ensure that leverage ratio is maintained at acceptable level, the Bank reviews its leverage ratio regularly, and has set internal leverage ratio thresholds considerably higher than the 3.25% level. This will require it to take action should leverage ratios fall to unacceptable levels, prior to any regulatory limits being breached.

## 8 Credit Risk

### 8.1 Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract, which potentially affects all areas of the Bank's business. Among the risks, the Bank engages in, credit risk generates the largest regulatory capital requirement.

The Bank is committed to having a strong credit function under which the Bank's exposures are controlled within a well-defined credit risk appetite, laid down by the Board and BCC. The credit systems and controls ensure that the exposures that the Bank enters into are prudent and are in line with its strategy.

Large exposures and concentrations within the credit portfolio are managed through policy limits agreed by the BCC for counterparty, country and industry exposures.

### 8.2 General Framework

Responsibility for ensuring that credit risk remains in line with the Bank's risk appetite falls within a number of different areas, which can be summarised as follows:

#### ▪ Approval

- **The Board of Directors ("Board")** retains the ultimate responsibility for setting the Bank's risk appetite, including the credit risk appetite, and for ensuring the establishment and adherence to sound principles for risk identification, measurement, monitoring and control. For the purpose of facilitating the Bank's operations, it delegates authorities to approve financing facilities at various organisational levels which are documented in an authority matrix, clearly specifying the limits and conditions for each level, in the Credit Policy.
- **The Board Credit Committee ("BCC")** is the main credit risk authority after the Board of Directors. It oversees the management of the credit risk structure, reviews and approves credit applications within its authority and takes decisions on credit issues that are beyond the authorities granted to management.
- **The Management Credit Committee ("MCC")** is responsible for approving credit recommendations and making other credit decisions in line with its delegated authority and for reviewing and recommending to the Board Credit Committee any transaction or facility over and above its own approval mandate. The committee also reviews all credit policies and recommends approval to BCC.

#### ▪ Acquisition and Marketing

- **The Marketing Departments** undertake credit origination and relationship management. They are responsible for the selection of customers to approach for relationships. Credit proposals are the responsibility of the Relationship Manager, and are passed through the credit approval process before referral to the appropriate credit committee.

#### ▪ Monitoring and Administration

- In relation to credit exposure, the Risk Management role is to review all credit and limit applications prior to recommending them to the MCC. It also monitors all exposures and the credit quality of the portfolio and all approved limits, provides back-office support to the credit process and reviews all credit policies to ensure that they remain relevant.

#### ▪ Structure

In terms of structure, business origination and acquisition, credit approval, administration and risk management are separated from each other to provide effective and efficient control, transparency and accountability.

### 8.3 Minimum Capital Requirement – Credit Risk

The following table shows the Bank'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) at 31<sup>st</sup> December:

<b>Total Minimum Capital Requirement</b>	<b>2023</b>	<b>2022</b>
Financial Institutions	2,830	6,154
Retail	4	1,001
Corporate	-	-
Secured against Real Estate Property	1,612	1,907
Fixed and Other Assets	1,266	282
<b>Credit Risk minimum capital requirement</b>	<b>5,712</b>	<b>9,344</b>

### 8.4 Gross Exposures

The gross credit risk exposure (based on the definitions for regulatory capital purposes, before credit risk mitigation) as on 31<sup>st</sup> December and the average for the year is summarised as follows:

	<b>Average 2023</b>	<b>December 2023</b>	<b>Average 2022</b>	<b>December 2022</b>
Financial Institutions	202,793	259,219	366,174	388,326
Retail	4,235	4,196	2,776	4,151
Corporate	-	-	-	-
Secured by Real Estate Property	62,479	57,560	65,682	68,790
Government Securities (UK / USA)	218,969	151,923	185,056	180,096
Other	17,656	16,417	4,789	15,179
<b>Total</b>	<b>506,132</b>	<b>489,315</b>	<b>624,477</b>	<b>656,542</b>

- Financial Institutions exposures include LC's, Short Term Funds and Money Market Interbank Placements.
- Retail exposures relate to Staff Loans and Overdrawn customer current accounts.
- Exposures secured by Real Estate Property are mortgages over residential properties in England or Wales.
- Government Securities include monies held in Government Bonds and Designated Money Market Funds (“DMMF”).
- Other exposures also include the Right of Use (“RoU”) - Lease asset.

### 8.5 Geographical Distribution of Exposures

The geographical distribution of these exposures at 31<sup>st</sup> December 2023 is as follows:

	<b>UK</b>	<b>N. America</b>	<b>Africa</b>	<b>Europe (Others)</b>	<b>RoW (Rest of World)</b>	<b>Total</b>
Financial Institutions	35,033	92,513	9,069	22,668	99,936	<b>259,219</b>
Retail	4,196	-	-	-	-	<b>4,196</b>
Corporate	-	-	-	-	-	-
Secured by Property	57,560	-	-	-	-	<b>57,560</b>
Government Securities	28,000	123,923	-	-	-	<b>151,923</b>
Other	16,417	-	-	-	-	<b>16,417</b>
<b>Total</b>	<b>141,206</b>	<b>216,436</b>	<b>9,069</b>	<b>22,668</b>	<b>99,936</b>	<b>489,315</b>

The geographical distribution of these exposures at 31<sup>st</sup> December 2022 is as follows:

	<b>UK</b>	<b>N. America</b>	<b>Africa</b>	<b>Europe (Others)</b>	<b>RoW (Rest of World)</b>	<b>Total</b>
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Financial Institutions	57,043	20,515	12,901	85,852	212,015	<b>388,326</b>
Retail	4,151	-	-	-	-	<b>4,151</b>
Corporate	-	-	-	-	-	<b>0</b>
Secured by Property	68,790	-	-	-	-	<b>68,790</b>
Government Securities	18,000	162,096	-	-	-	<b>180,096</b>
Other	15,179	-	-	-	-	<b>15,179</b>
<b>Total</b>	<b>163,163</b>	<b>182,611</b>	<b>12,901</b>	<b>85,852</b>	<b>212,015</b>	<b>656,542</b>

### 8.6 Exposures by Residual Maturity

The following table shows the residual maturity of the exposure as at 31<sup>st</sup> December 2023. The maturity of exposures is shown on a contractual basis. Contingents are not included as exact maturities are unknown. They would be expected to expire within 9 months.

#### Exposures by Residual Maturity – 31<sup>st</sup> December 2023 (GBP '000')

	Overnight and Demand	2 Days to 3 Months	3 to 6 Months	Over 6 Months	Total
Financial Institutions	200,463	18,988	35,062	4,706	<b>259,219</b>
Retail	-	-	-	4,196	<b>4,196</b>
Corporate	-	-	-	-	<b>-</b>
Secured by Property	4,295	682	1,598	50,985	<b>57,560</b>
Government Securities	151,923	-	-	-	<b>151,923</b>
Other	-	305	-	16,112	<b>16,417</b>
<b>Total</b>	<b>356,681</b>	<b>19,975</b>	<b>36,660</b>	<b>75,999</b>	<b>489,315</b>

The following table shows the residual maturity of the exposure as at 31<sup>st</sup> December 2022. The maturity of exposures is shown on a contractual basis. Contingents are not included as exact maturities are unknown. They would be expected to expire within 9 months.

#### Exposures by Residual Maturity – 31<sup>st</sup> December 2022 (GBP '000')

	Overnight and Demand	2 Days to 3 Months	3 to 6 Months	Over 6 Months	Total
Financial Institutions	280,388	85,280	16,894	5,764	<b>388,326</b>
Retail	17	178	710	3,246	<b>4,151</b>
Corporate	-	-	-	-	<b>0</b>
Secured by Property	11,264	783	778	55,965	<b>68,790</b>
Government Securities	73,080	72,912	34,104	-	<b>180,096</b>
Other	158	377	-	14,644	<b>15,179</b>
<b>Total</b>	<b>364,907</b>	<b>159,530</b>	<b>52,486</b>	<b>79,619</b>	<b>656,542</b>

### 8.7 Impairment Provisions

The Bank has in place processes to ensure constant review of its risk asset portfolio so that non-performing accounts can be quickly identified and reclassified appropriately. Final classification of accounts into non-performing and problem exposures will be initiated by Risk Management and ratified at the appropriate Credit Committee meetings. Accounts classified as overdue or non-performing are managed in accordance with the Bank's policies for such accounts and the management activity is monitored by the Risk Management function.

The status of impaired and past due loans are reported to the MCC and BCC together with recommended courses of action.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Bank's aggregate exposure to the customer.
- Viability of the customer's business model and its capability to trade successfully out of financial difficulties and generate sufficient cash flow to service its debt obligation.

- Amount and timing of expected receipts and recoveries.
- Extent of other creditors' commitments ranking ahead of, or pari-passu with the Bank and the likelihood of other creditors continuing to support the customer.
- Realisable value of security (or other credit mitigants) and likelihood of successful repossession.
- The likely deduction of any costs involved in recovery of amounts outstanding.

### 8.8 International Financial Reporting Standard (IFRS 9)

The Bank completed IFRS9 Financial Instruments from 1 January 2018. IFRS 9 calculates provision based on a forward-looking expected loss model. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 introduces a new approach for classification and measurement of financial instruments and a more forward-looking Impairment methodology.

As at 31<sup>st</sup> December 2023, the Bank had allocated £69,929 (31<sup>st</sup> December 2022: £111,527) for expected losses under IFRS 9. Further details of the impact of IFRS9 can be found in the Bank's 31<sup>st</sup> December 2023 Annual Report and Accounts.

### 8.9 Use of External Credit Assessment Institutions ("ECAI")

For its exposure to credit risk, the Bank uses Fitch Ratings as its External Credit Assessment Institution (ECAI) reference for rated entities. For entities where no external rating exists, an internal assessment is undertaken. The credit assessments provided by the ECAI are used together with an internal assessment process in the consideration of credit risk.

### 8.10 Credit Risk Mitigation

The Bank uses a range of techniques to reduce credit risk of its lending. The most basic of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing without distress. However, the risk can be further mitigated by obtaining security for the funds advanced.

The Bank may use a number of risk mitigation tools including guarantees, netting and collateral agreements. The primary method adopted by the Bank for mitigation of credit risk for regulatory reporting purposes is to obtain cash collateral. The Bank takes steps to ensure the enforceability of collateral arrangements including the use of standard security documentation and obtaining independent legal opinions.

### 8.11 Exposures by Credit Quality Step

The following tables show the exposure values associated with each credit quality step for credit exposures in accordance with the Regulator's credit quality assessment scale under the standardised approach. For risk weighting purposes external credit ratings provided by Fitch have been exclusively used for rated Financial Institutions. Exposures not rated by Fitch have been prudently weighted by the Bank using the regulatory guidelines.

**Exposures by Credit Quality Step (GBP '000')**

Credit Quality Step	Fitch Rating	31 <sup>st</sup> December 2023		31 <sup>st</sup> December 2022	
		Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
1	AAA to AA-	234,497	234,497	232,415	232,415
2	A+ to A	156,284	156,284	180,766	180,766
3	BBB+ to BBB- *	64,661	64,661	204,792	204,791
4	N/A	4,312	4,312	4,573	4,573
5	B+ to B-	29,561	16,518	33,996	15,291
<b>Total</b>		<b>489,315</b>	<b>476,272</b>	<b>656,542</b>	<b>637,836</b>

\*Note that the Bank's mortgage portfolio, which is secured against residential property in England and Wales, is included under Credit Quality Step 3, despite the fact that it is not rated by Fitch.

The following table shows the value and type of collateral used as credit risk mitigants as at 31<sup>st</sup> December:

<b>Eligible Mitigants (GBP '000')</b>		
<b>Type of Eligible Mitigants</b>	<b>2023</b>	<b>2022</b>
Cash	13,043	18,705

There is no credit risk or concentration risk in the risk mitigants used by the Bank.

## **9 Counterparty Credit Risk**

The Bank is not subject to Counterparty Credit Risk. It is not involved in the derivatives or repo market, and any purchase or sale of assets held in its liquidity buffer is concluded on cash against documents settlement basis on a recognised exchange. The Bank has therefore elected not to allocate additional capital against this risk.

## **10 Market Risk**

Market risk is defined as the potential reduction in net income, or decrease in value of the Bank's balance sheet, arising from adverse market movements. Specific types of market risk faced by the Bank are:

- Interest Rate Risk
- Foreign Exchange Risk

Whilst the Bank does not operate a trading portfolio, it is exposed to market risk via its investments in securities, mismatches in the interest rates applicable to assets and liabilities, and the foreign exchange transactions that it concludes for its customers. The Bank is not exposed to derivatives, does not hold positions in equities and does not securitise any of its positions.

### **10.1 Interest Rate Risk**

Interest rate risk arises from financial instruments where net interest income and market value of the Bank's assets are exposed to movements in interest rates. This risk only arises in the Banking book as the Bank does not run a trading book, and therefore does not have the type of higher risk exposure run by many banking institutions.

In order to maintain a buffer of liquid assets, to ensure that the Bank has access to adequate liquidity during times of stress, the Bank may purchase various United States Treasury Bills, United Kingdom Gilts and EURO denominated paper issued by acceptable European governments. These investments are purchased at a fixed rate of return, the result of which is that the Bank is exposed to movements in interest rates which could affect the value of these investments in the event that they are realised prior to maturity. In addition to monitoring its overall interest rate exposure, the Bank also holds an additional amount of capital to cover potential losses caused by the market risk inherent in these assets.

The Bank is also exposed to interest rate risk in its mortgage portfolio, where assets which earn interest at a margin over the Bank of England Base rate are partially funded with longer term fixed rate deposits. The Bank allocates additional capital in recognition of interest rate risk.

To monitor overall exposure to interest rate risk, the Bank uses the maturity or repricing schedules of balance sheet items to determine the differences between maturing or repricing items within given tenor buckets.

The Bank then measures the potential pre-tax earnings impact over a specified reporting period for the accrual positions, from a 200-basis point ( $\pm 2\%$ ) movement in the base rate of the main currencies traded by the Bank. In addition to establishing internal limits to monitor interest rate exposure, the Bank has taken due notice of the requirement under CRD, as applied in the UK, that it must take action in the event that a perceived 200 basis point shift in interest rates would result in a loss to the Bank of 20% or more of its capital resources. As at 31<sup>st</sup> December 2023, the financial impact on the Bank was within the prescribed tolerance.

### **10.2 Interest Rate Risk arising from Banking Book Activities ("IRRBB")**

As from December 31st 2021, the Bank is required to carry out, at least quarterly, an evaluation in respect of the interest rate shock scenarios in ICAA 9.7, using the formulae and values in ICAA 9.8 - 9.11, and immediately notify the PRA if, under any such evaluation, the Bank's Economic Value of Equity ("EVE") would decline by more than 15% of its Tier 1 capital. The Bank has set an internal limit for monitoring. The Bank began monitoring the prescribed EVE scenarios in 2023, after the review and validation of the model.

The prescribed scenarios are:

- Scenario 0: current interest rates;
- Scenario 1: parallel shock up; (+200 bps)
- Scenario 2: parallel shock down; (-200 bps)
- Scenario 3: steeper shock (short rates down and long rates up);
- Scenario 4: flattener shock (short rates up and long rates down);
- Scenario 5: short rates shock up; and
- Scenario 6: short rates shock down.

The scenarios are applied to all material currencies. As part of its annual Pillar 3 disclosures the Bank is required to report the prior year-end results of these EVE scenarios, together with the effect of scenarios 1 and 2 on its Net Interest Income ("NII"), in the format of 'IRRBB1'. Additionally the Bank is required to measure its sensitivity, as per the risk appetite defined by the Board, to:

- Gap risk – the risk of loss due to liability maturities exceeding asset maturities in a period of rising interest rates, or to asset maturities exceeding liability maturities in a period of falling interest rates;
- Yield curve risk – the risk of loss arising from a general, or parallel, increase or decrease in interest rates;
- Basis risk – the risk of loss arising from unhedged movements in reference (base) rates; and
- Embedded optionality – such as pipeline risk and prepayment risk, where the timing of cash flows is uncertain.

'Loss' in this context includes reductions in the present value of future cash flows and / or in projected net interest income. In practice this means that in addition to the measures of economic value detailed above the Bank must stress its forecast NII over the coming three-to-five years under scenarios relevant to its exposures to these risks (SS31/15 2.9C(i)).

Interest rate risk arises in traditional bank's banking books through mismatches between its assets and liabilities. As might be expected, GTBank UK undertakes maturity transformation activity but it intends to maintain matches between its fixed and floating assets and liabilities. RMRC report the results of NII and EVE stress testing in the monthly ALMAC committee. As at 31<sup>st</sup> December 2023, the financial impact on the Bank of the above stresses was within the prescribed tolerance.

### **10.3 Foreign Exchange ("FX") Risk**

Foreign Exchange ("FX") risk arises from assets and liabilities that are denominated in a foreign currency where the Sterling value or net income changes as a consequence of variations in foreign exchange rates.

The Bank does not operate a trading book and exposures to open FX positions arise as a result of the Bank's purchase and sale of currency on behalf of its customers. These positions are managed by the Treasury Department, which match transactions in the market to maintain the overall and individual currency positions within the agreed open limits.

The Bank operates within defined overnight open FX limits agreed from time to time by ALMAC and the BRCC. Adherence to these limits is monitored daily by Risk Management. In view of the very limited exposure to FX market risk the Bank does not apply any Value at Risk ("VaR") modelling.

The foreign exchange open position as at 31<sup>st</sup> December 2023 was £165,150 (31<sup>st</sup> December 2022: £214,630).

## 11 Liquidity Risk

The Bank's Treasury Department manages the Bank's liquidity on a daily basis within the limits set by ALMAC and approved by the Board. These are at a level to ensure that the Bank meets its obligations as they fall due and are set to provide a level of liquidity over and above the level required by the regulator.

A buffer of highly liquid assets is maintained to ensure that the Bank is able to meet its liabilities during times of stress. Liquidity positions and the liquidity buffer are reported monthly to ALMAC and quarterly to the BRCC and Board of Directors. The Liquidity Buffer and liquidity position are monitored by the Risk Management function on a daily basis. The Bank undertakes an Internal Liquidity Adequacy Assessment Process ("ILAAP") on an annual basis to ensure that it maintains adequate processes to manage liquidity.

The ILAAP is approved by the Board of Directors and has been reviewed by the PRA, who have provided the Bank with Individual Liquidity Guidance ("ILG"). The Bank's liquidity position is stress tested on a regular basis, to ensure the adequacy of the Bank's liquidity position, and this has been found to be sufficient at all stages during 2023. The Bank also monitors and manages its Liquidity Coverage Ratios to ensure regulatory compliance.

## 12 Operational Risk

The Bank faces a variety of risks within this definition and undertakes a regular assessment of these risks. The primary risks identified are:

- **Internal Fraud:** Risk resulting from dishonesty of personnel within the Bank, such as forgery of documents, embezzlement, bribery, etc.
- **External Fraud:** Risk resulting from dishonesty of individuals outside the Bank that causes damage to the Bank, such as forgery of financial documents, fraud, etc.
- **Clients, Products and Business Practices (Conduct Risk):** Risk resulting from business practice, the introduction of a product, and the accessing of a customer's information that is inappropriate or noncompliant with regulations or rules, such as unauthorised transactions, unapproved dealings, money laundering activities, or the misuse of confidential customer information, etc. Recognising the Bank's responsibilities under the Consumer Duty, this also includes risk arising from delivery of poor customer outcomes.
- **Business Disruption and System Failures:** Risk resulting from anomalies in the system or the failure of the system in various other respects, such as inconsistency, disparity arising from combining operations, defects in the computer system or network system, or the usage of outdated or substandard technological tools.
- **Execution, Delivery and Process Management:** Risk resulting from errors in methodology, in the operational process itself, or from employees within the Bank and employees outside the Bank. This type of risk includes: submitting inaccurate information, evaluating incorrect warranty values, failing to follow contract rules, a lack of knowledge and comprehension of employees in operations and usage of the computer system, inappropriate improvements in operations, and drawing-up uncomprehensive contracts and legal documents that produce loopholes, etc.
- **Damage to Physical Assets:** Risk of property damage in the Bank resulting from various accidents, such as conflagration, natural disasters, destruction of property, riots, political uprisings, terrorism, etc.
- **Employment Practices and Workplace Safety:** Risk resulting from the inappropriate hiring of employees, unjust compensation, or the mistreatment of employees, producing consequences such as litigation, resignation, or demonstration. Moreover, it includes risk stemming from the enforcement of safety regulations and the inability to control the environment in working conditions, causing detrimental effects on employees' health such as illness, or accidents while working.
- **Information and Cyber Incidents:** Risk resulting from an adverse event in the Bank's information system and/ or network that poses a threat to a computer or network security in respect of its availability, integrity and confidentiality. It is also a breach of a system's security policy to affect the integrity or availability and/ or the unauthorised access or attempted access to a system or systems.
- **Payment System and Security Incidents:** Risk resulting from failure or disruption to customer's ability to process payments or breaches of European Banking Authority ("EBA") guidelines.
- **Data Privacy Breach:** Risk resulting from a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental and deliberate causes.



- **Regulatory Breaches:** Risk resulting from non-compliance and non-adherence to laws, regulations, guidelines and specifications relevant to the Bank's processes which could result in the Bank being fined by the regulators or removal of permissions or withdrawal of the Bank's registration.

The Bank has adopted the "Basic Indicator Approach" to operational risk and has applied the industry standard definition, namely: "the risk of loss arising from inadequate or failed internal processes, people and systems or from external events".

The Bank assesses each risk type for the probability and severity of a related event and puts in place mitigants considered suitable to reduce the risks to within the Statement of Risk Appetite and Tolerance set by the Board. The Board of Directors recognises the Bank's operational risks as a distinct risk category that should be managed. The BRCC review the Bank's operational risk policy on an annual basis and report its recommendations to the Board. The Board ensures that the policy provides a definition of operational risk and lays down the principles of how operational risk is to be identified, assessed, monitored and controlled. The BRCC ensure that the Bank's Operational Risk Management Framework ("ORMF") Policy is subject to internal audit by operationally independent, appropriately trained and competent staff.

Departmental heads are responsible for implementing the ORMF policy approved by the Board. The policy is consistently implemented throughout the Bank and all levels of staff understand their responsibilities with respect to operational risk management. Risk Management Department together with the departmental heads and executive directors have responsibility for identifying operational risks and developing policies, processes and procedures for managing operational risk in all of the Bank's products, activities, processes and systems.

In order to manage the Bank's key operational risks, data is captured at a departmental and risk oversight level from a variety of sources. These include regular risk self-assessments, internal and external incident analysis, material losses and control failures. The information is analysed and monitored against defined risk appetite tolerances using a central risk management database, and is reported to the relevant committees.

Under CRD as applied in the UK, for the basic indicator approach to operational risk, gross income is regarded as a proxy for the operational risk exposure of the Bank. The capital charge for operational risk is therefore calculated based upon gross income over the preceding three years. Under the Basic Indicator Approach, the own funds requirement for operational risk is equal to 15% of the average over 3 years of gross income.

### 13 Remuneration

The financial services regulator issued its Policy Statement SS2/17 (February 2023) and UK CRR Article 450, which set out their requirements in this regard. The Remuneration Code is set out in SYSC 19A of the FCA Handbook.

The Bank has elected to establish a Remuneration Committee in line with the Regulator's General Guidance and on risk and proportionality and the CRD regulations. The Board of Directors has therefore set out its Terms of Reference ("ToR") for the establishment of the Board Remuneration Committee as a subcommittee of the Board of Directors.

The Bank's Remuneration Policy has been developed by Senior Management and has been approved by the Bank's Board, who also approve the Bank's annual budget for staff remuneration. The policy is designed to ensure that the Bank recruits and retains the high-quality staff it requires to build a successful business. The Bank's Remuneration Policy is reviewed annually by the Bank's Board.

The Board of Directors is comfortable that the current Remuneration Policy promotes sound and effective risk management, does not encourage excessive risk taking and is in line with the Bank's declared Risk Appetite, strategy, objectives and long-term interests, and does not promote conflicts of interests. Variable remuneration will not exceed 100% of fixed remuneration (as per Article 94(1)(g) of Directive 2013/36/EU), unless the prior approval of the shareholders and regulators is obtained, and any variable remuneration will be subject to the terms of any regulation in place when it is awarded. Where required by either regulation or the Board, payment of variable remuneration will be subject to restrictions in terms of size, timing of payments, claw-back and cash / non-cash constituents of any sum awarded.

The performance of all staff is appraised on an annual basis, with the distribution of any salary increases or elements of variable remuneration for staff without SMF responsibilities being at the discretion of the Managing Director and in accordance with regulatory direction, taking into consideration the Bank's ability to use retained income to strengthen its own financial position. The Board Remuneration Committee directly oversees remuneration of the Executive and those staff with SMF responsibilities.

The Board is also aware that the Bank's compliance with the terms of the Remuneration Policy is vital to ensuring that excessive risk taking is not encouraged and will therefore instruct that an independent internal review is conducted on an annual basis, to ensure that the terms of the policy are adhered to. The Board ensures that staff involved in control functions are independent from the business units that they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business they control.

The Bank is required to disclose the aggregate levels of fixed and variable remuneration made to its Code Staff, being the Bank's directors, senior managers and staff in significant influence functions, in control positions or those taking significant risk.

During the period 1<sup>st</sup> January 2023 to 31<sup>st</sup> December 2023, the Bank employed 27 Code Staff (2022: 24), being the Executive and Non-Executive Directors and the Heads of Audit, Compliance, Risk Management, Treasury, the MLRO, as well as others identified as material risk takers.

During this period, the Code Staff received total remuneration of GBP 2,372,183 (2022: GBP 1,993,000). , split as follows:

	Senior Management Staff	Other Code Staff	Total
<b>2023</b>			
Fixed remuneration	£631,100.00	£1,741,100.00	<b>£2,372,200.00</b>
Variable remuneration	£0.00	£0.00	<b>£0.00</b>
<b>Total</b>	<b>£631,100.00</b>	<b>£1,741,100.00</b>	<b>£2,372,200.00</b>
<b>2022</b>			
Fixed remuneration	£567,500.00	£1,425,500.00	<b>£1,993,000.00</b>
Variable remuneration	£0.00	£0.00	<b>£0.00</b>
<b>Total</b>	<b>£567,500.00</b>	<b>£1,425,500.00</b>	<b>£1,993,000.00</b>

The Bank did not make sign-on, severance or guaranteed variable remuneration payments to any of its Code Staff during 2023. No individual member of staff received a remuneration package exceeding EUR 1,000,000 during 2023.

**14 Approval**

These disclosures have been reviewed and approved by the Bank's Board of Directors.