

# Pillar 3 Report

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31 December 2024



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# Introduction 1.0



# 1.1 | Purpose

This document comprises the Pillar 3 disclosures on capital and risk management for Trusted Novus Bank (TNB or the Bank) as at 31st December 2024. The two main purposes are: it provides details on TNB's approach and policies regarding risk management and capital resources, including information on:

- **The governance structure of the Bank.**
- **Information on the Bank's exposures and capital resources.**

To meet the regulatory disclosure requirements under the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD), as onshored into Gibraltar law, together with the applicable rules and guidance issued by the Gibraltar Financial Services Commission (GFSC). These regulations were implemented into Gibraltar's framework from December 2020 and remain the prudential basis applicable to Gibraltar-licensed banks in 2024. Our Pillar 3 disclosures are published annually in conjunction with the date of publication of our financial statements.

# 1.2 | Overview

TNB is a private company limited by shares and incorporated in Gibraltar. It is authorised and regulated by the Gibraltar Financial Services Commission under the Financial Services Act 2019.

These Pillar 3 disclosures are prepared solely to meet regulatory transparency requirements and are not subject to external audit. Nevertheless, certain elements may also be reflected in the Bank's audited 2024 Financial Statements.



# The 3 Pillar 1.3 Framework

Pillar 3 disclosures are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes.

## Pillar 1

### Minimum capital requirements:

Defines rules for the determination of the minimum capital requirements that banks are required to hold for credit, market and operational risks.

## Pillar 2

### Supervisory review process:

This builds on Pillar 1 and requires banks to undertake an internal capital adequacy assessment process in order to cover specific risks not taken into account or not fully covered in Pillar 1.

## Pillar 3

### Market discipline:

Requires individual banks to publish key information on their principal risks, capital structure and risk management, which allows investors and other market participants to understand their risk profiles.



# 2.0

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# Risk Governance





# Role & Responsibilities 2.1 of the Board

The Board is the principal decision-making body for all matters of strategic, financial, risk, regulatory and reputational significance, and is accountable to the shareholder and external stakeholders for creating and delivering long-term sustainable value. Having regard to the interests of all stakeholders the Board drives informed, collaborative and accountable decision-making, while promoting the highest standards of corporate governance and ethical culture to deliver on TNB's mission, values, and strategic objectives. The Board is responsible for approving TNB's strategy, risk appetite and related policy statements. These policy statements establish TNB's overall appetite

for risk and sets out the control environment within which it operates. Implementation of strategy and these policies is the responsibility of the Chief Executive Officer (CEO) and Senior Management, who report to the Board. In its role of reviewing and approving the financial statements, the Board is ultimately responsible for ensuring the integrity of financial reporting, and that financial controls and systems of risk management remain effective. In formulating the three-year Strategy Plan, the Board considers opportunities and threats in the external business environment and internal strengths and weaknesses to identify critical success factors and priority issues.

The Board has oversight of how management implements TNB's strategy and retains control through challenge at Board, and Board committee meetings. A clear division of responsibilities exists between the roles of the Chairman and the CEO. Whereas the responsibility to lead and manage the work of the Board resides with the Chairman, the day-to-day management of TNB's business is delegated to the CEO, who is supported in this role by the Executive Committee (ExCo).

# Composition 2.2 of the Board

The Board of Directors includes the non-executive chairman, the senior independent director, four non-executive directors and one executive director (the CEO).

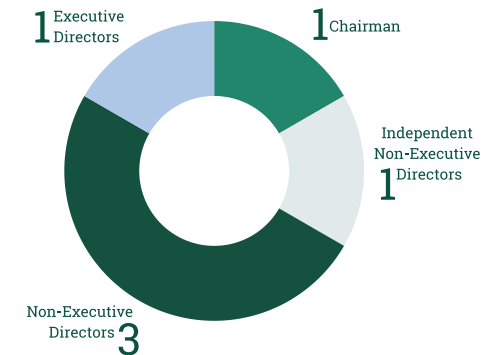
The Board Chair sets the tone for TNB's governance by leading, guiding, and developing the Board to ensure its effectiveness in all aspects of its role as well as effective communication and information flows with key stakeholders. The non-executive directors bring fresh and diverse perspectives and experience to the Board's discussions and decision-making to monitor the delivery of TNB's strategy against the governance, risk and control framework established by the Board.

During the year, the Board's composition was

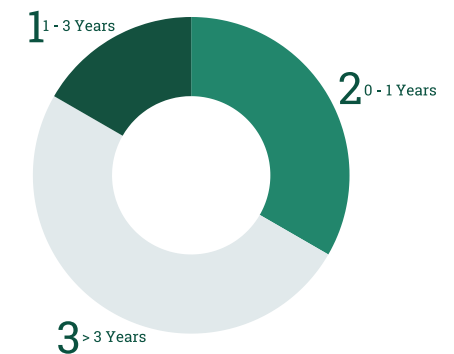
refreshed to maintain an effective balance of skills, knowledge, experience, and diversity in support of TNB's strategic objectives. The size and structure of the Board are regularly reviewed to ensure this balance remains appropriate. While the proportion of independent non-executive directors, including the Board Chair, has temporarily fallen below the 50 percent threshold, TNB remains committed to this standard and has an agreed action plan for 2025 to restore the balance.

All appointments to the Board are based on merit with candidates assessed against objective criteria. The Board recognises the importance of having a wide range of perspectives to draw upon and any appointments will seek to increase its diversity while not compromising on the quality of the Board.

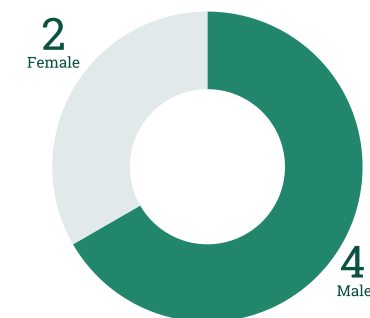
## Board Composition



## Board Tenure



## Board Gender







## Other Directorships held by members of the Board

The number of external commercial directorships held by TNB Directors who served on the Board for the year ended 31 December 2024 were:

Name	Gender	Capacity	Appointment date	Number of other directorship*
Peter Caetano	Male	Chairman	27-Jul-20	0
Adrian Olivero	Male	Deputy Chairman	27-Jul-20	1
Nyreen Llamas	Female	Independent Non-Executive Director	16-Jun-22	1
Joseph E. (Melo) Triay**	Male	Independent Non-Executive Director	16-Jun-22	2
Nguyễn Thị Thiên Hương	Female	Non-Executive Director	27-Jul-20	1
Nilesh Banglorewala**	Male	Non-Executive Director	12-Jan-21	1
Christian Bjørløw**	Male	CEO, Executive Director	01-Jun-07	0
Tan Long Vo	Male	Non-Executive Director	12-Jun-24	0
Christian Garcia	Male	CEO, Executive Director	12-Jun-24	0

\*In counting the number of other directorships, only commercial directorships involving a material time commitment in terms of preparing for and attending meetings, etc. have been included. Directorships with non-commercial entities, holding companies or entities with no other trading purpose have been excluded, as were not-for-profit organisations, charities, and trusts. Multiple directorships held within the same group are considered to count as a single directorship.

\*\*Christian Bjørløw resigned from the Board with effect from 1 March 2024. Melo Triay and Nilesh Banglorewala resigned from the Board with effect from 31 October 2024.



# Role of the Board

## 2.3 Committees

Board committees constitute an important element of TNB's corporate governance. Their purpose is to assist the Board in discharging its oversight responsibilities, while leveraging the range of skills and expertise of individual Board directors to deal with specific issues falling within their terms of reference. They are the creation of the Board and remain under the Board's control. The Chairs of the Board committees, who are independent non-executive directors, report to the Board at each scheduled Board meeting, keeping the full Board informed of the committee's work, key deliberations, and decisions on delegated matters.

Allocating oversight responsibilities to Board committees enhance Board governance by helping to reduce the pressure on Board time, where the focus is more forward-looking and less about remediation and operational issues.

Until November 2024, TNB operated with two Board committees:

- **Audit & Risk Committee (ARC)**
- **Board Credit Committee (BCC)**

The ARC was primarily responsible for safeguarding the integrity of the Bank's financial reporting and audit processes, while ensuring the maintenance of a robust control environment and comprehensive risk management framework. In addition, the ARC played a key coordinating role in articulating the Board's risk appetite and served as an essential link between the audit functions and the Board. This oversight was exercised independently of Senior Management, who remain accountable for applying accounting standards and implementing risk management practices: areas that are subject to audit and assurance. Towards the end of the year, the Board approved the separation of the ARC into two

distinct committees: the Audit Committee (AC) and the Board Risk Committee (BRC). This governance enhancement demonstrates the Board's commitment to robust oversight and alignment with regulatory expectations and leading industry practice. Although both audit and risk oversight are fundamental to the Bank's resilience and integrity, they require different areas of focus and specialist expertise. The AC concentrates on financial reporting, internal controls, and the effectiveness of internal and external audit functions, ensuring transparency and accuracy in disclosures. In parallel, the BRC provides dedicated oversight of the Bank's risk management framework, including risk appetite, principal and emerging risks, and operational resilience. By establishing two separate committees, the Board ensures that each area receives the depth of attention it demands, strengthens accountability, and supports the Bank's strategic objectives in an increasingly



complex risk environment. The BCC provides Board-level review of credit and lending strategies, providing objective and active oversight of the credit risk profile and credit risk management framework, advising the full Board on internal credit policies and portfolio limits, while monitoring, directing and reviewing all issues that may materially impact on the present and future quality and performance of the credit portfolio, including appropriate impairment provisioning and loan write-offs. The BCC evaluates and approves credit applications and exposures to customers and counterparties outside the granting authority set by the Board for the Management Credit Committee (MCC).

Board Activities

To discharge its duties effectively, the Board meets at least four times a year, based on a defined timetable, supplemented by ad-hoc Board

meetings to deal with matters arising outside the usual meeting schedule. Standing agenda items such as financial and business performance, risk, compliance, human resources, and strategic matters are reviewed and discussed, with a comprehensive Board pack circulated beforehand so that Directors are given the opportunity to consider the issues to be discussed. Detailed minutes and actions arising out of the discussions are documented. At the Board's request, members of the Executive Committee (ExCo) routinely attend Board meetings to provide updates and insights on specific discussion items. This facilitates non-executive directors' engagement with the Executive and drives constructive challenge to senior management thinking. Board committees are convened as per their respective Terms of Reference.

Number of Scheduled Meetings Attended

Name	Board	Audit & Risk Committee (ARC)	Board Credit Committee (BCC)
Peter Caetano	9/9	3/4	15/15
Adrian Olivero	9/9		15/15
Nyreen Llamas <sup>6</sup>	9/9		3/3
Joseph E. (Melo) Triay <sup>4</sup>	4/5	4/4	
Nguyễn Thị Thiên Hương	9/9		15/15
Nilesh Banglorewala <sup>5</sup>	5/5	4/4	
Christian Bjørløw <sup>1</sup>	0/1		
Tan Long Vo <sup>2</sup>	4/6		
Christian Garcia <sup>3</sup>	6/6		

The attendance reflects the number of scheduled Board and committee meetings held during 2024 and excludes ad-hoc meetings arising outside of the usual meeting schedule.

Notes

- 1. Christian Bjørløw resigned as Director of the Board on 1 March 2024.
- 2. Long T. Vo was appointed as Director on 12 June 2024
- 3. Christian Garcia was appointed as Director on 12 June 2024
- 4. Joseph E. (Melo) Triay resigned from the Board on 31 October 2024.
- 5. Nilesh Banglorewala resigned from the Board on 31 October 2024.
- 6. Nyreen Llamas was designated Chair of the newly constituted Board Risk Committee (BRC), relinquishing her role on the Board Credit Committee (BCC).

At each meeting, Directors were required to disclose in full any actual or potential conflict of interest and to recuse themselves from participating in a discussion concerning matters in which the Director has a conflict of interest, unless the Board found in the circumstances that it had no

objection to the Directors' presence. In any event, Directors were required to refrain from voting on the matter.

Under the Board Terms of Reference, Directors are offered access to independent professional advice at TNB's expense.



# 2.4

## Roles & Responsibilities of the Executive Committees

Day-to-day operations, delivery of strategy, formulation of operational plans and budget are the responsibility of the Chief Executive Officer (CEO), in whom general authorities and powers of executive management are vested, excluding those matters reserved for the Board as set out in the Board Terms of Reference. The CEO is supported by members of Senior Management, who meet on a regular basis to discuss key business issues arising and to monitor and manage delivery against the Board-approved three-year Strategy Plan. As part of the revised committee structure approved by the Board, emphasis was placed on collective leadership and ensuring consistency and rigour in decision-making. The Senior Management Team (SMT) transitioned to an Executive Committee (ExCo), comprising the same

members but operating under clearer mandates and reporting lines for improved accountability. Management Committees were refreshed, adding a Management Risk Committee (MRC), Product Committee (PC), and Investment Committee (IC) to the existing Asset & Liability Committee (ALCO) and Management Credit Committee (MCC).

The MRC oversees the development and integrity of TNB's Risk Management Framework (RMF), regularly assessing principal risks across the Bank's Risk Taxonomy and escalating material concerns to ExCo and the BRC.

The PC ensures new or amended products align with TNB's strategy and risk appetite, supporting long-term value creation for stakeholders.

The IC provides a disciplined decision-making framework for investment advisers, promoting good client outcomes while reducing risk, complexity, and operational overheads.

The ALCO monitors and optimises financial risks in the balance sheet, focusing on capital adequacy, liquidity, and market risk, ensuring alignment with Board-approved policies and regulatory requirements.

The MCC reviews and approves credit exposures up to GBP 7.5m and exceptions up to GBP 1m (with separate thresholds for Lombard loans), meets bi-weekly for timely decisions, and reviews all cases for Board Credit Committee (BCC) approval.





# Risk Management

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# 3.0



# 3.1

## Risk Management Overview and Framework

Risk management is not ring-fenced within the Risk Management team. An effective Risk Management Framework (RMF) resonates throughout the organisation and its dissemination is facilitated. TNB achieves this via the following:

### Communication

The Board of Directors are responsible for providing Management with timely, clear and transparent objectives together with the risk appetite which they are proposing needs to be set in achieving these objectives. Bank's management ensures that all employees have access to information on the Bank's set objectives, risk appetite, performance and RMF as well as sufficient information to allow employees to familiarise themselves with the role they play in the organisation as a whole and in risk management of the Bank.

### Emphasising the Three Lines of Defence "3LoD" Model

Communication of the concept of Business Risk Owners is an important step in ensuring that employees take ownership and feel accountable for risk which they are immediately exposed to in their day-to-day. The Chief Risk Officer (CRO) is responsible for ensuring that the RMF underlines this principle.

### Assessing Risk Culture and its Development

The CRO oversees assessments of risk culture; how employees perceive risk, its impact and their role in managing these risks. These assessments track cultural evolution and help evaluate communication effectiveness.

The Board, supported by its committees, is responsible for embedding a strong risk culture and ensuring policies reinforce this goal. Risk awareness is a core competency across all roles and policies are designed to support cultural development.



## Risk Taxonomy

The CRO is responsible for establishing a Risk Taxonomy which represents the logical and sequential risk library relevant to the risk universe applicable to TNB. The Taxonomy is dynamic and evolves with the business and should bring consistency to risk causes, categories and impact.

## Key Risk Indicators (KRI) Process Cycle

The CRO will ensure that there is a regular process cycle established to monitor the provision, assessment and challenge of Key Risk Indicators collated across Teams. The process is performed at least monthly and includes:

- **Data Collection from Business Risk Owners**
- **Data Validation and Cleansing by Risk Management function.**
- **Data Assessment by Risk Management function**
- **Enquiry and Challenge by Risk Management function.**

- **Feedback from Business Risk Owners.**
- **KRI Reporting to Business Risk Owners.**

A final summarised overview together with any escalations should be reported to the MRC on a monthly basis or earlier if required. The overview is provided to the Board Risk Committee at least quarterly.

## Three Lines of Defence

The Board of Directors, supported by its committees, is responsible for embedding a strong risk culture throughout the organisation and for ensuring that appropriate policies are put in place to support this goal. Each and every role profile has risk awareness as a core required competence and responsibility and the Bank's policies and procedures are written so as to reinforce the development of the risk culture. At the core of the Bank's RMF is the Three Lines of Defence (3LoD) model.



# First Line of Defence

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Business and business support functions (risk takers) are fully accountable for the risks under their remit. Control mechanisms are established at these functions to ensure that all identified risks are effectively monitored in line with the Bank's policies and procedures and in particular that all relevant risk limits are observed.

Proper records documenting risks are produced and reported to the second line of defence. New emerging risks and significant changes in existing risks are identified and escalated to the second line of defence.

The first line of defence owns risk-taking activities and bears direct responsibility for the Bank's results, as well as primary accountability for risk identification, ownership, management and control (including performance of portfolios, trading positions and operational risks) within approved mandates. Business and business support functions collaborate with the second line on implementing and improving risk management processes and controls and maintain an effective control environment including implementing standards to meet the Bank's risk management policies.

## Business Risk Owners

To ensure that specific risk types are effectively controlled, the Executive Committee appoints Business Risk Owners who play a special role in the day-to-day risk management within approved policies and limits and in supporting the Bank's general RMF. Business Risk Owners are accountable for fulfilling first line of defence responsibilities in respect of risks they are assigned to. In particular, they:

- **Own business risks and controls.**
- **Identify, assess and accept risks.**
- **Design, operate and monitor suitable internal controls.**
- **Manage and review risks.**
- **Follow policy for risk management.**
- **Operate within set risk appetite and tolerances.**

The leaders of the Business Risk Owners are responsible for ensuring they can perform their function properly and have sufficient competences, resources and authority to do so.

The function of the Business Risk Owner is assigned to a specific role, if that role is unique in the Bank (i.e. it has a unique title and profile description), or to a specific employee (in other cases). The Business Risk Owner informs their leader and the Risk Management function, if they are unable to properly perform that function due to whatever reason. The leaders of the Business Risk Owners are responsible for fulfilling that role during any times of their temporary absence or vacancy.

Project Managers carry out by default the function of Business Risk Owners in respect of projects they manage unless otherwise has been decided by the main governing body of the relevant project.

The Risk Management function maintains a register of all Business Risk Owners and their assigned risks. The register is linked with the Risk Register and reviewed at least on a quarterly basis to identify any gaps.





# Second Line of Defence

The second line of defence functions operate independently of the business lines and functions, whose risks they control, but are not prevented from interacting with them. Interaction between the operational functions and the second line of defence helps to achieve the objective of all Bank's staff bearing responsibility for managing risk.

The second line of defence functions communicate and exchange information with each other and take their respective findings into consideration in the risk management process.

The Bank ensures that the second line of defence staff possess sufficient knowledge, skills and experience in relation to relevant risk management techniques and procedures and have access to regular training. The Bank ensures that absence or departures of employees do not lead to disruption in the risk management processes.

The second line of defence functions have access to all the information necessary to fulfil their obligations as well as to all business lines and

functions that can potentially generate risk and they monitor whether all identified risks are effectively managed by the business functions (the first line of defence).

The second line of defence functions ensure that risk considerations are taken into account appropriately but ultimate accountability for decisions taken remains within the Board of Directors, its committees and sub-committees and the relevant first line of defence functions and roles, according to their powers and assigned responsibilities.

The general responsibilities of the second line of defence include the following:

- **Design a general risk management framework.**
- **Support the Board in defining the risk appetite of the Bank.**
- **Promote risk culture and increase risk awareness across the organisation.**
- **Provide executive oversight, independent challenge and monitor risk-taking.**
- **Collaborate with the first line of**

**defence to drive an appropriate balance between risk and reward.**

The MRC is chaired by the CRO or another employee leading any of the second line of defence functions.

## Risk Management Function

The Risk Management function adopts a structured, proactive approach to Bank's risk management by embedding a strong risk culture, providing oversight, partnering with business units, clarifying risk appetite and enhancing the Bank's ability to manage financial and non-financial risks while achieving objectives. To achieve this, the Risk Management function:

- **Serves as a coordination, aggregation, facilitation and enabling function for the RMF.**
- **Develops risk management strategy, principles, RMF and policy statements.**
- **Advises and coaches the Board, Bank's management and employees of business and business support functions on**

**RMF.**

- **Independently monitors the application and effectiveness of risk management processes.**
- **Co-ordinates appropriate and timely delivery of risk management information.**
- **Drafts risk policies and procedures.**
- **Defines risk management standards.**
- **Develops and distributes risk tools, techniques, methodologies, common risk language, risk framework, analysis, reporting, communication and training.**

The Risk Management function is actively involved at an early stage in elaborating the Bank's risk strategy and in ensuring that the Bank has effective risk management processes in place. It also assesses the robustness and sustainability of the risk strategy and appetite and ensures that the risk appetite is appropriately translated into specific risk limits.



Before decisions on material changes or exceptional transactions are taken, the Risk Management function is involved in the evaluation of the impact of such changes and exceptional transactions on the Bank overall risk and reports its findings directly to the Board of Directors and the Executive Committee before a decision is taken. Material changes or exceptional transactions may include mergers and acquisitions, setting up structures (e.g. new subsidiaries or single purpose vehicles), new products, changes to systems or the RMF and changes to the Bank's organisation.

The Risk Management function is involved in decision-making processes to ensure that risk considerations are taken into account appropriately. However, accountability for the decisions taken remains with the business and internal units and ultimately the Board of Directors and the Executive Committee.

### Compliance and Legal Function

The Compliance and Legal function safeguards the Bank by ensuring regulatory adherence, managing risks, embedding compliance, fostering trust and integrating data protection into the organisation's culture. The Compliance and Legal function achieves this through the following:

- Establishes standards for compliance risk assessments and testing.
- Provides effective regulatory

- oversight through horizon scanning.
- Aggregates compliance risk across business and support functions.
- Escalates compliance risk and control issues in line with escalation guidelines.
- Independently monitors compliance,
- Develops and maintains policies and procedures pertaining to compliance risk management.
- Performs risk-based testing of compliance controls.

### Financial Crime Function

The Financial Crime function protects the Bank by preventing and detecting financial crime, maintaining a robust framework, ensuring effective controls, fostering an anti-financial crime culture and partnering with the business to provide advisory support.

### Independence of the Second Line of Defence

The Board of Directors ensures the Risk Management and Compliance functions have sufficient authority, independence and resources to perform their functions efficiently and effectively.

The second line of defence is independent from the first line of defence through implementation of the following measures:

- The second line of defence is separated organisationally from the business units that are responsible

for initiating and concluding transactions (first line of defence) and its staff do not work in any capacity at the same time in the first line of defence.

- The CRO, the Head of Compliance and the Money Laundering Reporting Officer have a direct access to the Board of Directors and the Board Risk Committee, which may be exercised if deemed necessary, for example if there are developments that may be inconsistent with the Bank's risk appetite or risk policy.
- Any such escalation is documented with the basis for their view, the Directors' response and the actions agreed, ensuring transparent governance and clear accountability.
- Performance assessments and remuneration of The CRO, the Head of Compliance, the Money Laundering Reporting Officer (MLRO) and staff of the second line of defence are not based on the business performance of the first line of defence and they do not perform any operational tasks that fall within the scope of the first line of defence.
- The removal of the CRO, the Head of Compliance and the MLRO requires prior consent of the Board of Directors after recommendation of the Board Risk Committee.



# Third Line of Defence

The Internal Audit provides independent and timely assurance to the Board Audit Committee and the Board of Directors over the effectiveness of governance, risk management and controls. Its activities include performing scheduled audits, ad-hoc investigations and reviews and advisory services.

The Internal Audit is responsible for independent verification of efficiency and adequacy of key elements of the risk management process, including:

- **Assessment of appropriateness of risk related policies and procedures given Bank's risk appetite and based on consideration of internal and external developments, including balance-sheet and revenue changes; increase in the complexity of the Bank's business, risk profile or operating model; geographic expansion; mergers and acquisitions; and the introduction of new products or business lines.**
- **Verification of correct implementation and actual compliance with this Policy and with other risk related policies and procedures.**
- **Verification of compliance of this Policy and other risk related policies and procedures with the applicable laws, regulations and regulatory guidelines.**
- **Assessment of adequacy, quality and effectiveness of the implemented controls and the monitoring undertaken by the first and**

## **second line of defence units, including in relation to outsourced activities.**

The Internal Audit assesses quality of risk identification process and the effectiveness of risk mitigation techniques. It monitors effectiveness of risk management and compliance processes, tests controls and validates risk and compliance information and reporting. The Internal Audit assessment includes in particular verification of reliability of the Bank's methods and techniques, assumptions and sources of information used in internal models.

Based on completed assessments the Internal Audit identifies and communicates corrective actions to address identified risks and deficiencies.

The Internal Audit has unrestricted institution-wide access to all the records, documents, information and buildings of the Bank.

The Bank ensures that the Internal Audit staff possess sufficient knowledge, skills and experience in relation to audit techniques and topics audited and have access to regular training. The Bank ensures that absence or departures of employees do not lead to disruption in the internal audit process.

While the Internal Audit function can be

outsourced to an experienced and reputable external party, the Bank appoints the Head of Internal Audit to provide necessary leadership, coordinate work and assign regulatory responsibility for the function.

The Internal Audit operates based on an Audit Plan approved by the Board of Directors based on the opinion of the Board Audit Committee. The Audit Plan is drawn up at least once a year based on annual internal audit objectives that follow a risk-based approach.

While the external audit function does not form part of the third line of defence it provides additional reassurance by reporting on risk and control process failings, including corporate governance weaknesses, if identified during the conduct of an external audit.

## **Independence of the Third Line of Defence**

The Board of Directors ensures the Internal Audit function has sufficient authority, independence and resources to perform its functions efficiently and effectively.

The third line of defence (Internal Audit) is independent from the first line of defence and the second line of defence through implementation of the following measures:



- The Internal Audit is separated organisationally from the business units that are responsible for initiating and concluding transactions (first line of defence) and from the second line of defence and its staff do not work in any capacity at the same time in other lines of defence. At the same time, the Internal Audit liaises with the second line of defence functions as it may deem necessary.
- The Head of Internal Audit reports to the Board Audit Committee.
- The head of the Internal Audit has the authority to communicate directly and on their own initiative, to the Board of Directors, the chairman of the Board of Directors or the external auditors where appropriate.
- The Head of Internal Audit cannot be removed from that function without prior approval from the Board of Directors.
- Performance assessments and remuneration of the Head of Internal Audit and Internal Audit staff are not based on the performance of other lines of defence and they do not perform any operational tasks that fall within the scope of other lines of defence.
- The Internal Audit is not involved in

**designing, approving and implementing of other lines of defence policies, procedures, processes and risk limits. That does not preclude Internal Audit from advising the Board of Directors or its committees on the risk related matters. The Internal Audit is informed about any significant changes in the risk management framework.**

- The removal of the Head of Internal Audit requires the consent of the Board of Directors after the recommendation of Audit Committee.

## Summary

The Bank considers risk management as the key part of its general management process, which will not be outsourced. Management of risks has a positive effect on business performance and use of Bank's capital, through the application of the RMF and the fostering of an active risk management culture. It also helps to achieve alignment of business objectives by ensuring that all parts of the organisation work together toward the achievement of the Bank's objectives.

The purpose of the RMF is to ensure that the risks the Bank is exposed to are controlled and remain within the Bank's risk appetite

and ultimately to meet the following objectives:

- **Prepare and protect the Bank: prepare the Bank to grasp opportunities while taking action to protect the Bank from negative outcomes, by detecting potential problems and addressing issues as they arise to reduce their impact.**
- **Bring risk-awareness to objective setting and support for strategic planning and provide timely, reliable and useful information about risks and responsibilities to relevant decision-makers and functions responsible for execution.**
- **Enhance organisational culture and stakeholder confidence, inspire and promote a culture of performance, accountability, integrity, trust and communication, while strengthening market and stakeholder confidence in the Bank.**
- **Improve responsiveness and efficiency: take in information necessary to support quick changes in strategic and tactical direction and avoid obstacles and pitfalls.**





# 3.2

## Key Risk Categories

### Principal Risks

These are the risks in our Risk Taxonomy for which both qualitative and quantitative measures are set at Board level and reported throughout our risk governance structure as set out in its RMF.

Credit Risk				
Risk Domain	Definition	Risk Appetite	Governing Body	Key Applicable Policies
Collateral Risk	The risk that in event of default, the available collateral will not be sufficient to cover the outstanding debt.	The Bank does not depend on slim collateral margins as a business model. Collateral margins will incorporate sufficient buffer to absorb mild and medium adverse market or client behaviour.	Board Credit Committee Management Credit Committee	Credit Risk Policy Compliance Risk Policy
Counterparty and Default Risk	<p>Client: The risk of default of the client due to insufficient financial means or solvency of the counterparty</p> <p>Non client: Risk of default of the security issuer or solvency of the counterparty.</p>	The Bank has no appetite for investing outside investment grade credit risk and approved credit risk policies should prescribe said statement. Additionally, the Bank's processes will be sufficiently robust to detect facilities transitioning into NPL and systemic weaknesses in the identification process.	Board Credit Committee Management Credit Committee	Credit Risk Policy Compliance Risk Policy Market Risk Policy
Concentration Risk	The risk of material losses due to interconnected or market correlated positions in the banking book.	The Bank will not hold positions (in aggregate) to any one issuing counterparty or to the extent that this can cause a significant loss to the Bank.	Board Credit Committee Management Credit Committee	Credit Risk Policy Compliance Risk Policy Market Risk Policy
Large Exposure Risk	At a Bank portfolio level that the Bank is operating within Credit policy in respect of overall lending cap, within approved lending frames and is adequately monitoring large exposures.	The Bank shall not have any appetite for working outside board approved policy frameworks.	Board Credit Committee Management Credit Committee	Credit Risk Policy Compliance Risk Policy Market Risk Policy



Market Risk				
Risk Domain	Definition	Risk Appetite	Governing Body	Key Applicable Policies
Interest Rate Risk	The risk of loss of earnings as a result of underlying market rate changes.	The Bank shall not suffer a loss on earning potential (income+price) of > 5% as a result of a 1% drop in underlying base rate movements.	Assets and Liability Committee	Market Risk Policy Asset Liability Management Policy Compliance Risk Policy
Foreign Exchange Risk	The risk of loss resulting from open foreign exchange exposure.	The Bank shall not encounter an overnight foreign exchange exposure of > GBP 100k (or equivalent) to any one currency.	Assets and Liability Committee	Market Risk Policy Asset Liability Management Policy Compliance Risk Policy

Liquidity Risk				
Risk Domain	Definition	Risk Appetite	Governing Body	Key Applicable Policies
Funding Liquidity Risk	The inability to meet future cash-flow demands as a result of insufficient funding. The risk of additional costs inherent in lending growth being financed by means other than client deposits.	Throughout any 30-day forward looking outlook, the bank shall have sufficient expected inflows (under normal economic circumstances) to fund all expected outflows. This shall also be the case at a per currency level for GBP, EUR, USD, DKK.	Assets and Liability Committee	Liquidity Risk Policy Asset Liability Management Policy Compliance Risk Policy Market Risk Policy
Market Liquidity Risk	The risk that exposures (typically in the investment portfolio) fail to raise expected liquidity when required giving rise to an unexpected funding gap.	The Bank shall not be exposed to risks of capital loss in investment portfolios as a result poor market liquidity or solvency of issuer.	Assets and Liability Committee	Liquidity Risk Policy Asset Liability Management Policy Compliance Risk Policy



## Operational Risk

Risk Domain	Definition	Risk Appetite	Governing Body	Key Applicable Policies
Client Products and Business Practices Risk	The risk arising from an unintentional or negligent failure to meet a professional obligation (including fiduciary and suitability requirements), or from nature or design of a product.	Products and services offered by the Bank shall be standard in the market in which they are being offered. The Bank shall have no tolerance for intentional breach of conduct in its sale process. Complacency with regards to ethics or customer detriment will be immediately and severely sanctioned. Controls and reward structures are designed in such a way that a systematic breach in the rules process impacting large number of clients is extremely unlikely.	Board Risk Committee Management Risk Committee Risk Management	New Products & Services Policy Discretionary and advisory framework Vendor Administration Policy Cross-border Policy Outsourcing Policy
Employment Practices and Workspace Risk	The risk arising from acts inconsistent with employment, health or safety laws or agreements, personal injury claims or from diversity/discrimination events.	The Bank shall approach the relationship with its employees as its prime assets. The Bank shall abide by its commitment to providing a top local working environment and all-in employment experience. The bank will ensure a fair and equitable approach to treatment of its employees and that continuous investment is made and retained.	Board Risk Committee Management Risk Committee Risk Management	Remuneration Policy Employment Policy Salary Review Policy Disciplinary Procedure Policy Learning and Development Policy Social Media Policy Flexible Working Policy Business Travel Policy Equality Policy Conduct & Ethics Policy Grievance Procedures Policy
Damage to Physical Assets Risk	The risk attributable to losses or damage to physical assets from natural disasters or other events.	The Bank will not tolerate the write-down/off of any assets or other physical property other than that which can be attributed to standard wear and tear. The Bank shall ensure that any unmitigated risks are covered by adequate insurance.	Board Risk Committee Management Risk Committee Risk Management	N/A
Business Disruptions and System Failures Risk	The risk of disruption arising from business or system failures.	The Bank has no appetite for any failures occurring in the core business processes. Systems and controls are designed to ensure that the product and service offering to stakeholders continue to be the best in class.	Board Risk Committee Management Risk Committee Risk Management	IT Security Policy Cloud Outsourcing Policy Business Continuity Management Policy Information Security Management Systems
Execution, Delivery and Process Management Risk	The risk arising from failed transaction processing or process management.	The Bank has limited appetite for repetitive processing errors. Whilst understanding that processing errors inevitably occur, these will only be unexpected with little foreseeability. The Bank will have error management processes which effectively prevent reoccurrence.	Board Risk Committee Management Risk Committee Risk Management	N/A



Legal, Compliance and Regulatory Risk				
Risk Domain	Definition	Risk Appetite	Governing Body	Key Applicable Policies
Business Practices Risk	The risks arising from enabling business behaviour which encourages sales processes which are not catered for by the available resources and organic growth of lax client management habits.	The Bank does not envisage taking risks by venturing outside the realm of standard retail banking products and services. However, it is understood that any product or service has an adaptation requirement which needs to be managed.	Board Risk Committee Management Risk Committee Risk Management	AML & CFT Policy Crypto Currencies Policy
Client KYC & DD Risk	The risk of non-compliance with AML/CFT/CPF CDD obligations.	The Bank has no appetite for risks posed as a result of weaknesses arising from weak processes and systems governing KYC and DD systems and processes governing client onboarding and ongoing relationship management.	Board Risk Committee Management Risk Committee Risk Management	Compliance Risk Policy Conduct and Ethics Policy
Consumer Protection Risk	Risk of failed conduct practices when engaging with the end customer.	The Bank will not tolerate recurring systematic complaints arising from systemic issues. The Bank shall stand by the quality of service and products which are akin to the reputation in the market. Nevertheless, it is understood that complaints may arise from time to time however it is expected that complaints are always satisfied diligently.	Board Risk Committee Management Risk Committee Risk Management	Inducements Policy Best Execution Policy Compliance Risk Policy Conduct and Ethics Policy
Customer Relationship Management Risk	The risks attributed to systematically failing to legitimately meet client expectations in extreme cases leading to toxic client relationships.	The Bank shall ensure that there is sufficient time resource that is applied in adequately managing the relationship with the final customer.	Board Risk Committee Management Risk Committee Risk Management	Anti-bribery and Corruption Risk Complaints Handling Policy Related Party Transactions
Privacy and Data Protection Risk	Risk arising from inadequate policies or processes governing the regulatory treatment and protection of the data custodied by the Bank.	The Bank will not accept risks that could result in a data breach. A mass data breach will be regarded as a critically serious incident and consequences for failure will be at a par.	Board Risk Committee Management Risk Committee Risk Management	Clear Desk Policy Consent Policy Document IT Security Policy Compliance/GDPR Policies
Health and Safety Risk	The risk of inadequate measures to protect the well-being of employees or the environment in which they perform.	The Bank will always ensure that the well-being and working environment of employees is above standard.	Board Risk Committee Management Risk Committee Risk Management	Focus & First Aiders Policy





Legal, Compliance and Regulatory Risk				
Risk Domain	Definition	Risk Appetite	Governing Body	Key Applicable Policies
Regulatory Reporting Risk	Regulatory risk arising from inadequate regulatory reporting processes.	The Bank has no appetite for failed or inaccurate regulatory reporting. The Bank shall have sufficient controls and review procedures to mitigate any risk of failures. The Bank has not appetite for failing to close recommendations from auditors or external authorities within agreed timeframes.	Board Risk Committee Management Risk Committee Risk Management	Compliance Risk Policy Conduct and Ethics Policy
Regulatory Reporting Risk	The risk of not adhering to regulatory requirements, including fiscal and financial reporting.	The Bank shall not tolerate any known deviation from the rules and regulation in place in the countries where it operates. The risk of regulatory breaches occurring due to unexpected changes in legislation is accepted, provided that these breaches are temporary and rapidly remediated.	Board Risk Committee Management Risk Committee Risk Management	N/A
Labour and Employment Risk	The risk of failing to acquire and maintain appropriate proficiency, experience and academic ability consistently.	The Bank shall invest in ensuring that employees have the right level of competence and technical abilities to perform their responsibilities. There is no appetite for risk around inadequate employees. Additionally, the Bank shall fully comply with regulatory requirements governing required levels of experience and academic attainment for specific positions. The Bank shall have the means to record and identify instances where employees are conflicted or influenced to the extent that enables them to perform their responsibilities with independence and sound judgement.	Board Risk Committee Management Risk Committee Risk Management	Compliance Risk Policy Learning & Development Policy Conflict of Interest Policy Document Whistleblowing programme Policy
Legal Risk	Risks incurred due to negligence in compliance with laws related to the business.	The Bank will invest sufficient resources to ensure the flawless handling of client litigation. The Bank has no appetite to include permanent ongoing litigation as part of its business model although acknowledges that an element of legal risk is unavoidable.	Board Risk Committee Management Risk Committee Risk Management	Compliance Risk Policy
Licencing and Permits Risk	The risk inherent in failing to obtain (or obtaining inappropriate) necessary operating authorisations as a firm or individuals.	The Bank shall establish and manage adequate controls to ensure that all regulatory licences, authorisations and permissions are in place. The Bank has no appetite for other modus operandi.	Board Risk Committee Management Risk Committee Risk Management	Compliance Risk Policy



## AML/CFT/CPF and Financial Crime Risk

Risk Domain	Definition	Risk Appetite	Governing Body	Key Applicable Policies
Internal Fraud Risk	The risk of deliberate and unauthorised actions by employees or third-party insiders that result in financial loss, improper gain, or damage to the Bank's operations and reputation.	The Bank has a zero tolerance approach to fraud risk.	Board Risk Committee Management Risk Committee Risk Management	AML & CFT Policy Conflict of Interest Policy Fraud Policy Insider Trading Policy
External Fraud Risk	The risk arising from failing to appropriately deal with legitimate requests from third-party authorities.	The Bank shall not tolerate any behaviour which puts the Bank's reputation with the authorities at risk. There will be no tolerance towards legitimate requests or demands from authorities not being handled appropriately.	Board Risk Committee Management Risk Committee Risk Management	AML & CFT Policy Conflict of Interest Policy Fraud Policy Insider Trading Policy
High Risk Client Relationships Risk	The risk exposure created by managing client relationships whose inherent characteristics adhere to an elevated risk profile.	The Bank accepts that high risk customers are an important element of our business. However, the Bank will not entertain client profiles which cannot be managed by suitable and adequate risk management frameworks.	Board Risk Committee Management Risk Committee Risk Management	AML & CFT Policy Anti-Bribery & Corruption Policy Crypto Currencies Policy New Business Policy
Sanctions Risk	Risk of losses due to acts of a type intended to defraud, misappropriate property or circumvent the law.	The Bank has a zero tolerance approach to sanctions risk.	Board Risk Committee Management Risk Committee Risk Management	AML & CFT Policy Anti-Bribery & Corruption Policy
Criminal and Judiciary Risk	The risk of legal consequences, criminal proceedings, or sanctions arising from unlawful actions involving the Bank, its customers, or its employees.	The Bank's business model shall not be built on the necessity of high-risk customers (including PEPs). Onboarding of high-risk clients will be justified to the extent that heightened risks can be mitigated through transferring that risk to a third-party or that specific internal controls can be ring-fenced to the particular client group. PEP and high-risk clients shall only marginally contribute to the revenues of the Bank.	Board Risk Committee Management Risk Committee Risk Management	AML & CFT Policy Anti-Bribery & Corruption Policy



## AML/CFT/CPF and Financial Crime Risk

Risk Domain	Definition	Risk Appetite	Governing Body	Key Applicable Policies
Fiscal Transparency & Cooperation Risk	The risk arising from failing to appropriately deal with legitimate requests from third-party authorities.	The Bank shall not tolerate any behaviour which puts the Bank's reputation with the authorities at risk. There will be no tolerance towards legitimate requests or demands from authorities not being handled appropriately.	Board Risk Committee Management Risk Committee Risk Management	AML & CFT Policy
Bribery Risk	The risk arising from corrupt solicitation, acceptance, or transfer of value in exchange for official action.	The Bank will ensure sufficient protection against the risk of bribery practices including disciplinary measures if required.	Board Risk Committee Management Risk Committee Risk Management	AML & CFT Policy Anti-Bribery & Corruption Policy
Employee Market Abuse Risk	The risk arising from market manipulation and arbitration arising from abuse of privileged internal information.	The Bank does not tolerate any level of employee market abuse.	Board Risk Committee Management Risk Committee Risk Management	Market Abuse Policy Market Risk Policy
Money Laundering	The risk arising from the process of illegally concealing the origin of money from illicit activities.	The Bank will take a risk-based approach to managing the risk arising from money laundering, the financing of terrorism and proliferation financing. The AML/CFT/CPF will be adequate in line with the markets that we operate in and the specific jurisdictional risks which arise.	Board Risk Committee Management Risk Committee Risk Management	AML & CFT Policy Crypto Currencies Policy



# Capital and Other Disclosures

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# 4.0



## Internal Capital Adequacy Process

The Bank prioritises maintaining a robust capital base to uphold investor and market confidence, as well as support future business growth. The Board oversees capital levels for present and future operations, documenting risk appetite and capital needs under stress scenarios as part of the Internal Capital Adequacy Assessment Process (ICAAP).

### About the ICAAP

The ICAAP was last undertaken for the year ending 31 December 2024 and serves two key purposes:

- **It informs TNB's Board of Directors how TNB assesses its risks, how it mitigates those risks and how much current and future capital is deemed necessary to support TNB's operations in light of those risks.**
- **It is also the means by which TNB evidences its internal capital adequacy assessment process to the Gibraltar Financial Services Commission (GFSC).**

TNB's ICAAP methodology adheres to relevant regulatory requirements and makes an assessment of the following areas of risk:

- **Credit Risk**
- **Market Risk**
- **Liquidity Risk**
- **Leverage Risk**
- **Operational Risk**
- **Business Risk**

### - Strategic Risk

This ICAAP is prepared by TNB's Risk Management team and serves as Management's expression of the level of confidence it has in its:

- **Oversight of significant risks.**
- **Ability to identify significant risks.**
- **Specific risk management practices.**
- **Ability to respond to severe adverse conditions.**

Maintaining and continually reviewing the ICAAP helps to ensure that TNB continues to retain its focus on the risks it faces.

### Capital Requirement

TNB's capital adequacy assessment, which covers the period ending 31 December 2024, is based on relevant regulatory requirements.

Each defined risk category is assessed in order to determine whether additional capital beyond the Pillar I requirement should be set aside.

TNB is presently operating with a comfortable capital buffer, well in excess of both the minimum regulatory capital adequacy requirement of 8% of the Total Risk Exposure Amount (REA) and TNB's aggregated capital requirement (solvency need) of 12.31%.

### Stress Test Analysis

The purpose of capital planning is to enable TNB to ensure capital adequacy

under stressed economic conditions. Stress testing is intended to help TNB gain a better understanding of the significant risks that it potentially faces under extreme conditions and to provide important input to the determination of related regulatory and economic capital requirements.

The stress test analysis consists of applying assumed values of economic parameters that affect the financial position of TNB in terms of profit and loss and balance sheet and determining the impact on capital.

The stress test performed demonstrates that TNB maintains sufficient capital in the short-term vis-à-vis the REA determined by the Bank's current activity, even in a distressed and catastrophic environment.

As illustrated in the figures provided, TNB has adequate capital for the nature, scale and complexity of its operations. However, as a result of the calculations performed for each of the risk types, it shall be recommended that the Board considers Pillar 2 capital add-ons for the additional risks as illustrated in the below table and that includes amongst others:

- **GBP 5.901m for concentration risk (credit risk) relating to the ratio of large exposures to TNB's total exposures.**

The aggregate of capital add-ons proposed is GBP 15.475m, or 4.31% of REA. It shall therefore be recommended that

TNB's solvency requirement (i.e. excluding the combined buffer requirement) be set at 12.31% of REA (and at 14.81% inclusive of the combined buffer requirement).

At present TNB's capital ratio, which is calculated by expressing own funds as a proportion of the REA, is 17.49%.

With the ICAAP being finalised, the above recommendations shall be approved by the Board at the proximate Board of Director's meeting.

Taking risk is intrinsically linked to conducting business. Hence it is fundamental that TNB maintains an effective RMF as part of the overall governance structure. The Board understands that risk taking is inevitable in pursuit of TNB's objectives but requires to be managed methodologically to ensure that risk can be adequately identified and measured and that they fall within the appetite which has been set.

The Board shall consider that TNB has in place adequate systems and controls with regards to TNB's risk profile and strategy. Fully recognising that risk cannot be eliminated, the Board will need to be satisfied that the systems of internal control embedded within the RMF has worked effectively during the last financial year to identify, monitor manage and control relevant risks.





as at 31/12/2024 £'000	Risk Exposure Amount (REA)	Pillar 1 capital requirement	Pillar II capital add-on	Capital requirement
Credit risk	343,185	27,455	5,901	33,356
Market risk	-	-	-	-
Operational risk	16,256	1,300	4,664	5,964
Liquidity risk	-	-	-	-
Leverage risk	-	-	-	-
Business risk	-	-	4,910	4,910
TOTALS	359,441	28,755	15,475	44,230
Own funds ( <i>CET1 + AT1 + T2 capital</i> )	62,883			
Surplus of own funds over Pillar 1 capital requirement	34,128			
Surplus of own funds over capital requirement	18,653			
TOTAL CAPITAL RATIO ( <i>Own funds as % of REA</i> )	17.49%			
SOLVENCY NEED ( <i>capital requirement as % of REA</i> )	12.31%			

Own funds includes a deduction of intangible assets.



# 4.1 Key Metrics

The table opposite represents the set of key prudential metrics covering the Bank's available capital (including buffer requirements and ratios), risk weighted exposure amounts (RWA), leverage ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

		31st December 2024
<b>Available own funds (amounts)</b>		
1	Common Equity Tier 1 (CET1) capital	62,882,927
2	Tier 1 capital	62,882,927
3	Total capital	62,882,927
<b>Risk-weighted exposure amounts</b>		
4	Total risk-weighted exposure amount	359,440,427
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>		
5	Common Equity Tier 1 ratio (%)	17.49%
6	Tier 1 ratio (%)	17.49%
7	Total capital ratio (%)	17.49%
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>		
UK 7a	Additional CET1 SREP requirements (%)	4.31%
UK 7b	Additional AT1 SREP requirements (%)	0%
UK 7c	Additional T2 SREP requirements (%)	0%
UK 7d	Total SREP own funds requirements (%)	12.31%
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>		
8	Capital conservation buffer (%)	2.50%
11	Combined buffer requirement (%)	2.50%
UK 11a	Overall capital requirements (%)	14.81%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.18%
<b>Leverage ratio</b>		
13	Total exposure measure excluding claims on central banks	672,771,872
14	Leverage ratio excluding claims on central banks (%)	9.35%
<b>Liquidity Coverage Ratio</b>		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	84,990,293
UK 16a	Cash outflows - Total weighted value	149,907,744
UK 16b	Cash inflows - Total weighted value	156,527,787
16	Total net cash outflows (adjusted value)	37,476,936
17	Liquidity coverage ratio (%)	226.78%
<b>Net Stable Funding Ratio</b>		
18	Total available stable funding	586,225,976
19	Total required stable funding	354,126,803
20	NSFR ratio (%)	165.54%

Own funds includes a deduction of intangible assets.



# Overview of Risk Weighted Exposure 4.2 Amounts

The below table represents an overview of Risk Weighted Exposure Amounts (RWAs). The assets of the Bank are analysed by risk category and given ratings according to the level of risk entailed per the CRR. This table presents the Bank's RWAs and capital requirements per category of risk, calculated as 8% of RWAs.

31st December 2024 £'000	Risk Weighted Exposure Amount	Total Own Funds Requirement
Credit Risk (excluding CCR)	343,185	27,455
Of which the standardised approach	343,185	27,455
Counterparty credit risk - CCR	-	-
Of which the standardised approach	-	-
Operational Risk	16,256	1,300
Of which basic indicator approach	16,256	1,300
Of which standardised approach	-	-
Total	359,441	28,755



# 5.0

# Remuneration





# 5.1

## Remuneration System

TNB is guided by a Remuneration Policy which outlines key components and objectives of how as an organisation we review and approve all employees' remuneration, which includes that of Executive Directors and Senior Management.

The objectives of the policy are to:

- **Establish the principles that ensure TNB applies fair and equitable remuneration arrangements.**
- **Drive our employee performance without encouraging poor customer outcomes.**
- **Retain high-quality individuals to deliver success in a competitive market environment and create sustainable shareholder value.**
- **Support TNB's risk management and governance frameworks that have been implemented to encourage prudent risk-taking and deliver sustainable long-term financial soundness for TNB.**

- **Ensure compliance with regulatory obligations and expectations in respect of employee remuneration.**

Our Remuneration Policy considers regulations such as:

- **Financial Services (Credit Institutions & Capital Requirements) Regulations 2020 (regulations 49 to 53).**
- **EU Directive 2013/36EE as amended by EU Directive 2019/878/EU.**
- **EU Regulation 604/2014.**
- **EBA Guidelines on sound remuneration policies under Directive 2013/36/EU.**

### Board Approval & Oversight

The Board is responsible for approving the Remuneration Policy that will apply to TNB and for reviewing this Policy on an annual basis. This review will include an assessment of:

- **The application and effectiveness of this Policy.**

- **Compliance with relevant legislation or regulatory requirements.**

- **The relevance of this Policy in changing market conditions.**

TNB's cultural norms also find expression through TNB's remuneration philosophy i.e. that compensation should remain fair and competitive to attract, motivate and retain talent and create sustainable shareholder value by rewarding good performance while avoiding bonus-centric compensation arrangements, which tend to distort individual motivations and encourage excessive risk-taking. TNB's Reward & Recognition programme is designed to drive employee performance without detriment to desired customer and stakeholder outcomes. The Board presides over the design of TNB's Reward & Recognition programme (a variable remuneration award scheme) to ensure that total reward is appropriate and aligned with TNB's long-term strategy, business objectives, and Board risk appetite. These awards are based on an individual's performance and contribution against agreed objectives

(both financial and non-financial) measured in terms of what has been delivered and how it was delivered, as well as on TNB's financial results for the year.

Discretionary awards for exceptional performance are intended to reward employees who have gone above and beyond expectations in terms of effort and/or results achieved. Base remuneration is set by reference to market rates and reviewed, although not necessarily changed, annually. Increases are typically to ensure appropriate pay positioning relative to the market and in connection with promotions or changes in role responsibilities. In addition, consideration is given to salary adjustments for increases in cost of living. Whereas talent is at the heart of everything, and that attracting and retaining good people is critical to our ongoing success, the Board recognises that building a positive reputation by striking the right cultural balance is what keeps TNB on track to becoming the employer of choice.





## Material Risk Takers (MRTs)

MRTs are those colleagues who operate in roles that are deemed to have, or potentially have, a material impact on the risk profile of the Bank. TNB has classified 6 members of staff as MRTs in 2024. In order to be identified as a MRT, the individual must meet one of the below quantitative or qualitative criteria, in accordance with the Remuneration Policy.

### Qualitative Criteria

**a) Executive Directors & CEO.**

**b) Senior Managers.**

### Quantitative Criteria

Employees entitled to significant remuneration in the preceding financial year provided that the following three conditions are met:

**a) The employee's Total Potential Remuneration is equal to or higher than GBP 500,000.**

**b) The employee's Total Potential Remuneration is equal to or higher than the average Total Potential Remuneration awarded to the members of TNB's executive and senior management.**

**c) The employee performs a role that has a significant impact on TNB's risk profile (e.g. has the authority individually, or as a member of a committee, to take, approve or veto a decision on credit proposals which can result in credit risk exposures to a single counterparty (or group of connected counterparties) in excess of GBP 5 million, or to take, approve or veto a decision on transactions on the trading book which represents 5% or more of TNB's Common Equity Tier 1 capital).**

The Board will approve remuneration structures for these employees and oversee the overall remuneration outcomes for employees in these roles at least annually.

### Approach to Remuneration

The approach taken for our MRTs population will differ from that of the wider colleague population. We offer base salary (fixed remuneration), variable remuneration and a consistent benefit offering to all colleagues.

### Fixed Remuneration

Base remuneration will generally be reviewed annually, within budget parameters agreed with the Board on recommendations from the CEO and the

Manager of Human Resources. During this process funding for annual remuneration increases will be considered by the Board, taking account of a range of factors, including general market remuneration movements and trends, market competitiveness and TNB's capacity to pay. Base remuneration may be adjusted for increases in the annual cost of living, but these adjustments remain at the discretion of the Board within the budget parameters agreed.

### Variable Remuneration

Variable remuneration, including the measures used to assess outcomes, shall be underpinned by the remuneration principles outlined in our Remuneration Policy. All Variable Remuneration schemes (including formula-driven plans) will be clearly documented and governed by Scheme Rules, which will include Remuneration Arrangements, participation rules, and plan design promoting behaviours in line with TNB's values and risk management. This includes any Short Term Variable Remuneration Target agreed for employees on Specified Term Contracts, which is contingent upon contract specific performance outcomes. The Scheme Rules of Variable Remuneration schemes will be approved by the Board on the

recommendation of the CEO. An effectiveness review of TNB's Variable Remuneration schemes is conducted on a regular basis and the review outcomes reported to the Board. This ensures that the Variable Remuneration schemes remains fit for purpose and adheres to the Variable Remuneration principles set out in our Remuneration Policy.

### Other Remuneration Arrangements

One-off payments (e.g. sign-on awards and retention payments) are a non standard component of total reward and will only be considered upon submission of a strong business case. Retention payments, usually intended to encourage individuals who are identified as business-critical to continue employment with TNB, will be subject to deferral arrangements and performance criteria. Sign-on awards will not be guaranteed or paid upfront. Should it be necessary to compensate an employee joining TNB for the loss of remuneration with their previous employer, then any such payment will be made no earlier than one year after commencing employment with TNB. However, the payment will be subject to forfeiture where the employee does not meet agreed performance expectations.



# 5.2 Remuneration Awarded for the Financial Year

The information below sets out the remuneration of individuals who served for at least part of the year as a Material Risk taker (MRT). All TNB's TNB-identified MRTs fall within being a member of the management body (MB Supervisory Function), and / or senior management (MB Management Function). The

Bank is not structured in such a way to break down the data by business area. In addition, to preserve the anonymity of individual's remuneration, the tables do not show the breakdown between each distinct MRT category. The ratio between fixed and variable pay can be seen below.

## For the year ended 31 December 2024

		Management body remuneration		
		Non Executive Directors	Senior Management	Total
1	Total number of identified staff	7	6	13
2	Of which: members of the MB	7	2	9
3	Of which: other senior management	-	4	4
4	Of which: other identified staff	-	-	-
5	Total remuneration of identified staff	198,319	824,664	1,022,983
6	Of which: variable remuneration	-	85,551	85,551
7	Of which: fixed remuneration	198,319	739,112	937,431

The number of identified staff represents individuals who met the identified staff criteria at any point during the 2024 financial year.



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