TRIODOS BANK UK LIMITED

A private company limited by shares
incorporated in the United Kingdom and
registered in England and Wales.

Registered number: 11379025

PILLAR 3 DISCLOSURES

For the year ended 31 December 2023

Contents

GLOSSARY OF ACRONYMS

Acronym	Definition
AC	Audit Committee
ALCO	Asset and Liability Committee
ALM	Asset & Liability Management
AT1	Additional Tier 1 Capital
BBD	Business Banking Director
BCBS	The Basel Committee on Banking Supervision
BIA	Basic Indicators Approach
RC	Risk Committee
CC	Credit Committee
CCoB	The Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCyB	The Countercyclical Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1 Capital
CFO	Chief Financial Officer
CMC	Core Management Committee
COO	Chief Operating Officer
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulations
C-SREP	Capital Supervisory Review and Evaluation Process
EVE	Economic Value of Equity
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
HQLA	High Quality Liquid Assets
HR	Human Resources
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
LPC	Loan Pricing Committee
MARC	Model and Assumptions Review Committee
MRTs	Material Risk Takers
NFRC	Non-Financial Risk Committee
NII	Net Interest Income
NPE	Non-performing exposures
NSFR	Net Stable Funding Ratio
OBS	Off-balance sheet
OC	Operations Committee
OCR	Overall Capital Requirement
OLAR	Overall Liquidity Adequacy Rule
P&L	Profit & Loss
PGC	Product Governance Committee
PRA	Prudential Regulation Authority
RACI	Responsible, Accountable, Consulted and Informed
RBD	Retail Banking Director
RMF	Risk Management Framework
ROE	Return on Equity
RW	Risk Weight

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RWA	Risk Weighted Assets
SAAT	Stichting Administratiekantoor Aandelen Triodos Bank N.V
SREP	Supervisory Review and Evaluation Process
T2	Tier 2
TBNV	Triodos Bank NV
TBUK	Triodos Bank UK
TCR	Total Capital Requirement
TIR	Triodos Internal Regulations
TOA	Tokens of appreciation

1. OVERVIEW

Background and Regulatory Guidance

The Basel Committee on Banking Supervision (BCBS) has developed an internationally agreed set of measures that aims to strengthen the regulation, supervision, and risk management of the banking sector, known as Basel III. It consists of three main pillars: minimum capital requirements (Pillar 1), supervisory review (Pillar 2) and market discipline (Pillar 3). Pillar 3 of the Basel framework aims to promote market discipline through disclosure requirements for banks. This means that banks must disclose certain qualitative and quantitative information publicly on a regular basis, either as part of their financial reports or in separate Pillar 3 reports.

Following the exit of the UK from the European Union on 31 January 2020 the UK's Prudential Regulation Authority (PRA) now has full authority over defining how BCBS measures are to be followed in the UK. The PRA has on-shored the EU's Capital Requirements Regulations (CRR) with effect from 1 January 2021 via published final versions of EU Exit Instruments to ensure a legal UK framework is in place. The on-shored UK version of 'CRR article 4 – Definitions' sets out criteria for classifying a firm based on its size and complexity in note 145. A firm which meets the criteria set out in note 145 can be considered as a 'small and non-complex institution'. Triodos Bank UK (TBUK) has reviewed itself against these criteria and determined that it is eligible for this classification.

Article 433b of the PRA rulebook sets out the disclosure requirements for 'small and non-complex institutions' and it is with regard to these requirements that this Pillar 3 disclosure has been prepared.

Disclosures

The TBUK policy is to meet all required Pillar 3 disclosure requirements for a 'small and non-complex institution' as set out under article 433b of the PRA rulebook. As such this document provides the following information:

- TBUK's Risk Management objectives and policies for each separate category of risk;
- Information regarding TBUK's Own Funds;
- Information regarding TBUK's Own Funds Requirements and Risk-Weighted Exposure Amounts;
- Information regarding the Combined Buffer Requirement which TBUK is required to hold in accordance with regulation 35 of the CRR (Capital Buffers and Macro-Prudential Measures);
- Information regarding TBUK's Leverage Ratio and Total Leverage Exposure Measure;
- Information regarding TBUK's Liquidity Coverage Ratio (LCR);
- Information regarding TBUK's Net Stable Funding Ratio (NSFR); and
- Information regarding TBUK's Remuneration Policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions.

The basis of these disclosures may differ from similar information in the Annual Report and Accounts prepared in accordance with EU International Financial Reporting Standards (IFRS), therefore the information in these disclosures may not be directly comparable with that information.

Frequency of Disclosure

The following sets out TBUK's frequency of disclosures including the location and verification of disclosure.

Frequency: TBUK's policy is to publish the disclosures on an annual basis in conjunction with the publication of the Annual Report and Accounts, which should be read jointly with this document.

Article 433b of the PRA rulebook sets out that 'small and non-complex institutions' that are non-listed institutions shall only be required to submit this information on an annual basis.

Medium and location of publication: TBUK's Pillar 3 disclosure is published on TBUK's corporate website https://www.triodos.co.uk.

Verification: These disclosures have been subject to internal review and validation by TBUK's Audit Committee (AC) prior to being submitted to the Board for approval. These disclosures have not been, and are not required to be, subject to independent external audit, and do not constitute any part of TBUK's audited financial statements.

Non-material, proprietary or confidential information: This document has been prepared to meet the Pillar 3 disclosure requirements set out by the PRA. TBUK does not seek any exemption from disclosure on the basis of materiality, proprietary or confidential information, unless specifically stated in the document.

Scope of Disclosure

TBUK is a UK registered bank authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and Financial Conduct Authority (FCA). TBUK trades as a 100% owned UK subsidiary of Triodos Bank NV (TBNV) and has no trading subsidiaries. The information disclosed in this document relates to TBUK unless otherwise stated.

Summary of key disclosures

The table below gives a snapshot of the key regulatory metrics disclosed in this report for both the current and prior period:

Key metrics table

	31-Dec-23 £'000	31-Dec-22 £'000
Capital		
Total Capital	198,239	191,467
Common Equity Tier 1 (CET1)	192,544	185,772
Risk weighted assets	861,016	861,273
Total Capital Ratio	**23.02%**	**22.23%**
Common Equity Tier 1 ratio	22.36%	21.57%
Capital requirements		
Pillar 1	8.00%	8%
Pillar 2a	3.84%	6.62%
Pillar 2b	0.00%	0.00%
Capital conservation buffer requirement	2.50%	2.50%
Countercyclical buffer requirement	1.99%	0.98%
Overall Capital Requirement	**16.33%**	**18.10%**
Basel III Leverage Ratio		
Total Basel III leverage ratio exposure measure	1,664,149	1,583,516
Basel III leverage ratio	**11.6%**	**11.7%**
Liquidity Coverage Ratio (LCR)[1]		
Total HQLA	715,906	668,914
Total net cash outflow	170,147	151,100
LCR	**420.8%**	**442.7%**
Net Stable Funding Ratio (NSFR)[1]		
Available stable funding	1,684,212	1,637,537
Required stable funding	877,374	903,741
NSFR	**192.0%**	**181.2%**

[1] LCR and NSFR figures included above are as at 31 December and do not agree to balances included in the table disclosed in the LCR and NSFR sections which reports average balances over 12 month periods.

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2. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk Management Objective

The Risk Management Objective for TBUK is to create an environment within which it can pursue its mission within its risk appetite in a sustainable and prudent way, to its fullest extent. This is supported by its Risk Management Framework (RMF).

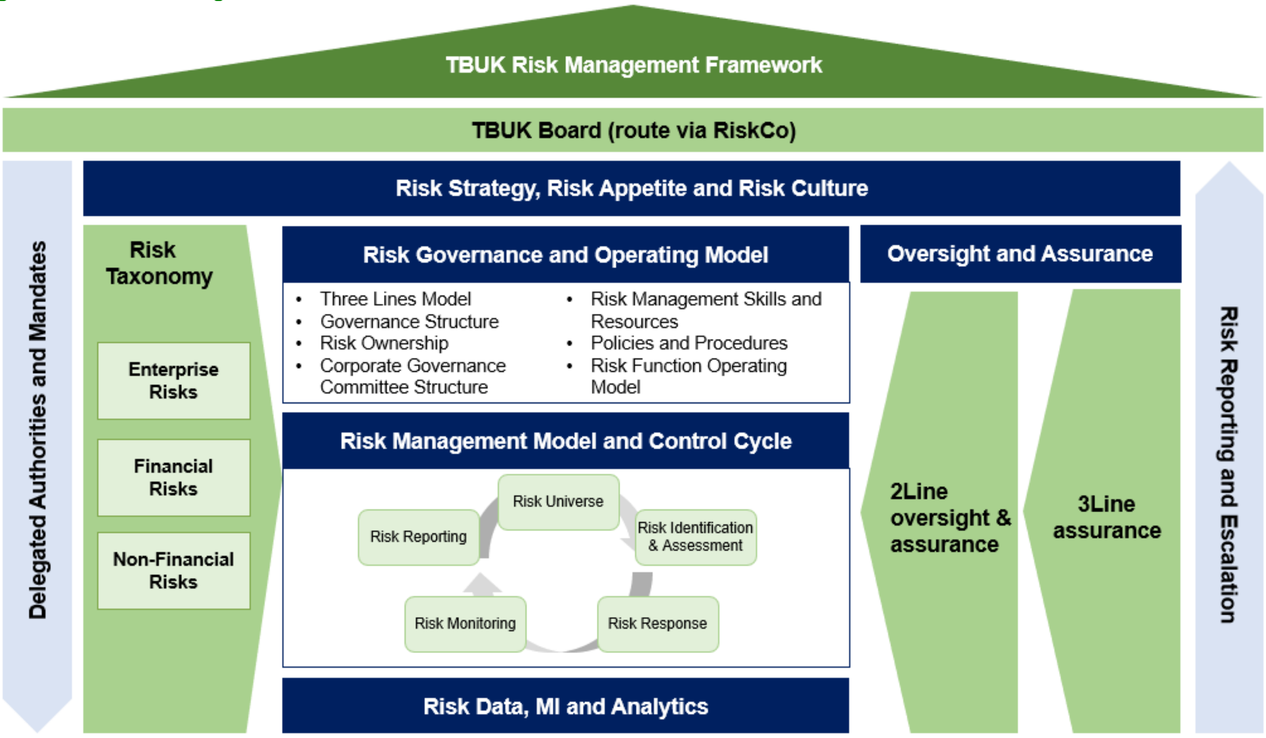
The RMF articulates the risk management strategy, governance, approach, and control framework that identifies, assesses, responds, monitors, and reports on risk exposures faced by TBUK. It is operationally owned by the Chief Risk Officer (CRO) and approved by TBUK's Board.

TBUK's RMF seeks to align to the Triodos Bank Group Risk Management Framework. However, it also reflects the UK regulatory environment where necessary, as guided and approved by the TBUK Board's Risk Committee (RiskCo). The RiskCo performs regular reviews of the RMF and risk and control environment to strengthen further the established framework, principally through the ongoing maturity development of compliance-risk appreciation across the business.

The Board sets clear risk appetite statements, driven in conjunction with the 3-year strategic planning process and both inputs support TBUK's approach to risk management. The CRO also undertakes an annual review that seeks to confirm that TBUK's RMF remains fit for purpose.

The core components of TBUK's RMF are summarised below in Figure 1.

Figure 1: Risk Management Framework

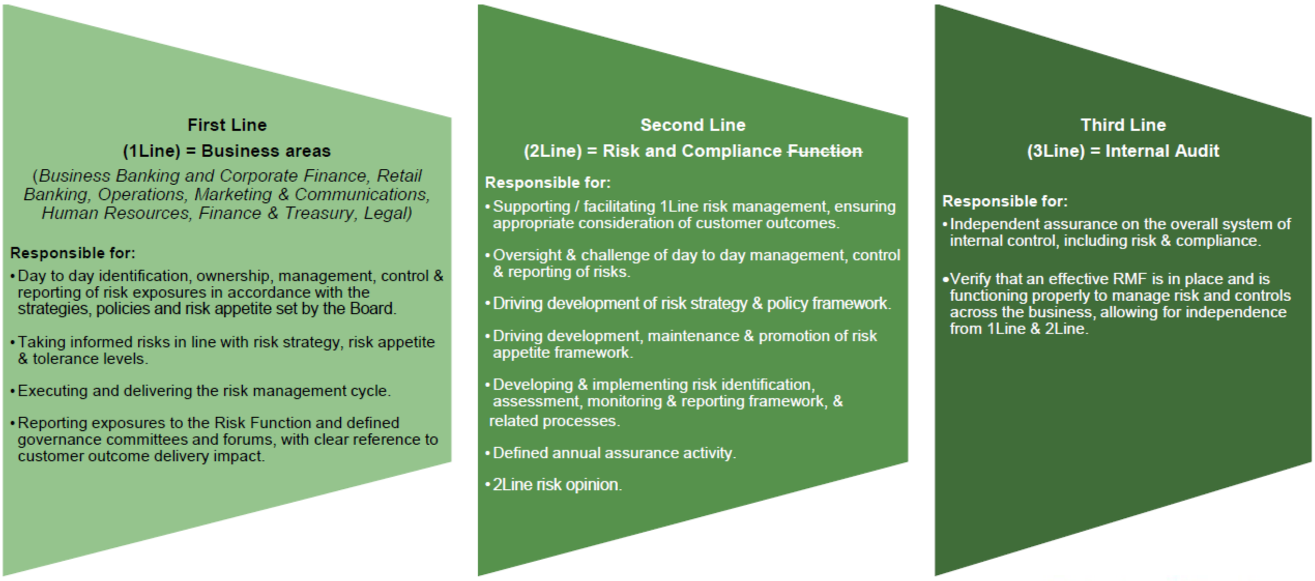


Three Lines Model

An industry-standard Three Lines model is incorporated in the RMF and applied within TBUK to provide clarity of responsibilities based on an appropriate segregation of duties across each line. Operating in such a way allows each function to understand the boundaries of its responsibilities and how they fit into the RMF. Application of this model provides a structure for periodic Risk and Internal Audit assurance activity around the RMF.

Primary responsibilities across the Three Lines model are summarised in Figure 2:

Figure 2: Three Lines Model



Governance Structure

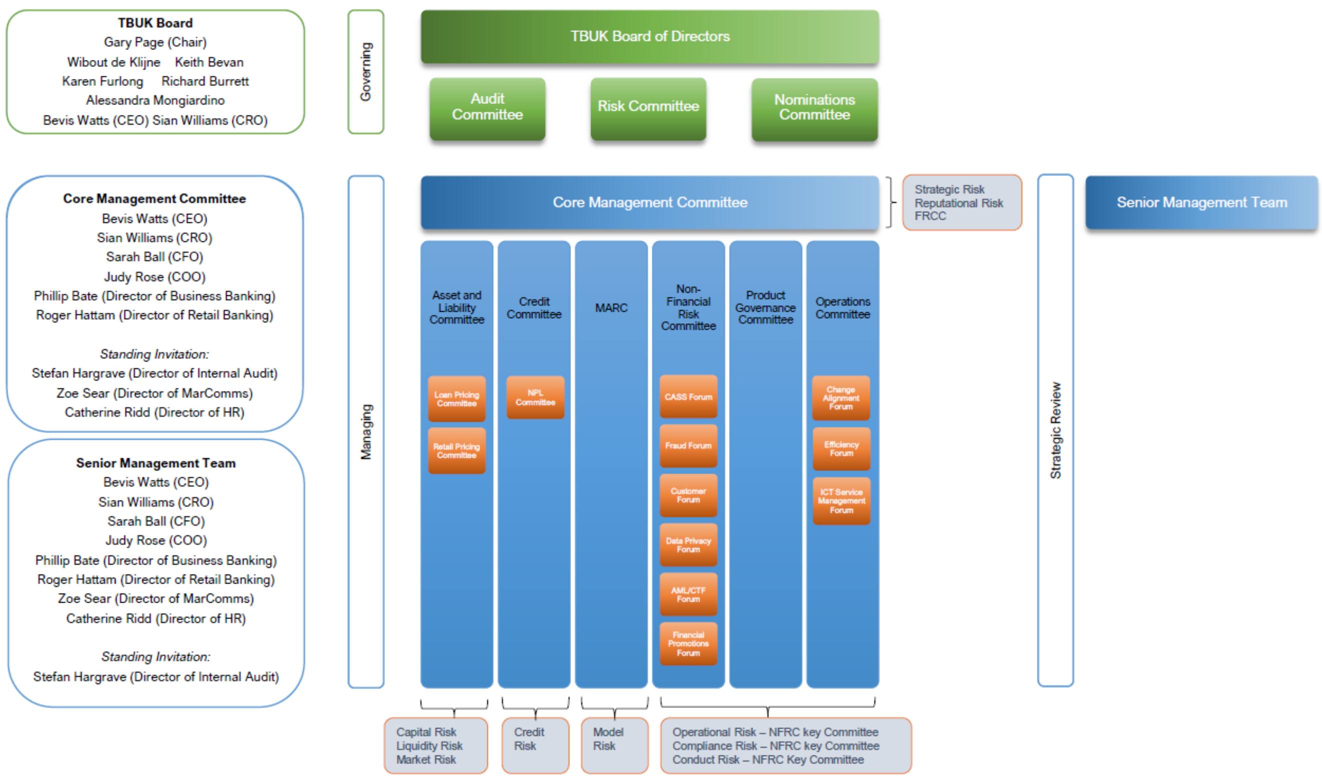
TBUK's Risk Governance is supported through the Corporate Governance Committee structure and designed considering the Three Lines model. A summary of the Corporate Governance Committee structure, and details of each Committee's primary duties, authority, and membership, is included below.

The Risk Governance Committee structure seeks to ensure that TBUK has a clear organisational structure in place with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks inherent in operations, and robust internal controls. The committee arrangements are designed to be proportionate to the nature, scale and complexity of the business model and the risks TBUK is exposed to.

The members of the Board are collectively responsible for the long-term success of TBUK and provide oversight and challenge across all Three Lines. Key Risk Management responsibilities of the Board include setting business and risk strategy, defining and overseeing risk appetite, and monitoring the risk profile of TBUK. There are clearly defined escalation and reporting routes that ensure the information flows through the Risk Governance Committee structure to ultimately provide the Board with assurance on the effectiveness of TBUK's Risk Management practices.

The formal governance structure in place to deliver effective operational review of each risk type is outlined in Figure 3:

Figure 3: Triodos Bank UK Board, Audit Committee, Risk Committee, and Core Management Committee Structure



*Product Governance Committee, and, Operations Committee, may also discuss and monitor secondary operational and conduct risk categories, however, NFRC retains ultimate accountability for monitoring operational and conduct risk at a primary risk level.

Details of Board members, Board meetings, recruitment and diversity strategy can be found on pages 65 and 66 of the Annual Report and Accounts.

The **Audit Committee** is responsible for overseeing and reviewing the independence and effectiveness of internal and external audit functions, assisting the Board in fulfilling its oversight responsibilities and advising the Board on whether the half-yearly and annual report and accounts are fair, balanced, and understandable. The Audit Committee has a responsibility to provide information necessary for shareholders to assess the Company's position and performance, business model and strategy, conducting the tender process and making recommendations to the Board as to the external auditor, their terms of engagement, and remuneration, as well as developing and implementing a policy on the engagement of the external auditor to supply non-audit services, in addition to maintaining effective working relationships with the Board, the Company's management and external auditors.

The **Risk Committee (RC)** is responsible for assisting the Board in fulfilling its oversight responsibilities, advising the Board on the current risk exposures and future risk strategy, and supporting the Board in the embedding and maintaining the desired risk culture across the Company, as well as overseeing the effectiveness of the process for managing risk and compliance issues and policy across the Company's business, and to make recommendations to the Board so as to ensure appropriate steps are taken to monitor and address overall risk exposures and compliance.

The **Core Management Committee (CMC)** has been established to enable the Chief Executive Officer (CEO) to discharge his/her duties. Reporting into CMC are the Tier 1 committees: Credit Committee; Asset and Liability Committee; Non-Financial Risk Committee; Product Governance Committee; Model & Assumptions Risk Committee (MARC) and Operations Committee. The CMC assists the CEO in the performance of his/hers duties within the bounds of their authority. Members include the CEO, Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Risk Officer (CRO), Business Banking Director (BBD) and Retail Banking

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Director (RBD). The Internal Audit Director attends to present a monthly Internal Audit report and has a Standing Invitation to attend the full meeting.

CMC is responsible for the oversight of all risks, with primary responsibility for strategic and reputational risks.

The purpose of the **Asset and Liability Committee (ALCo)** is to monitor development of the balance sheet (including off-balance sheet positions) of TBUK in order to determine whether capital, market and liquidity risks are, and will remain, within the defined Risk Appetite. ALCo sets the desired balance sheet risk positions (within the defined Risk Appetite) to optimise the risk return trade off.

The purpose of the **Loan Pricing Committee (LPC)** is to manage pricing (interest rates, fees and charges) of TBUK's Loan range of products.

The purpose of the **Retail Pricing Committee (RPC**) is to manage the pricing (interest rates, fees and charges) of TBUK's Retail Deposit range of products.

The **Credit Committee (CC)** is responsible for setting, assessing, measuring, and monitoring the management of the credit risk portfolio, at portfolio and individual loan level, in line with the defined credit risk appetite. It takes decisions on loans that have an increased impact on TBUK's balance sheet and assesses the alignment of loans with TBUK's credit risk policies.

The **Non-Financial Risk Committee (NFRC)** monitors and challenges the development of the non-financial risk profile of TBUK to determine whether operational, conduct and compliance risks are and will be in line with the defined non-financial risk appetite.

The **Model and Assumptions Review Committee (MARC)** monitors and decides upon approval of the review of models and underlying assumptions used for Asset & Liability Management (ALM) and credit risk within TBUK in order to make sure the related model risks are and will be in line with the defined Risk Appetite.

The **Product Governance Committee (PGC)** is responsible for a well-functioning product approval and review process, including approval of new and existing products. PGC will make decisions in accordance with agreed mandates. PGC will make recommendations to CMC as appropriate on matters outside of agreed mandates and will escalate medium and high risks to NFRC, or any other appropriate governance body.

The **Operations Committee (OC)** has been established to take decisions on issues and risks relating to operational (customer) services, office and IT services, vendor management, change management, business continuity, HR operations, and information security. OC is responsible for the oversight and monitoring of the day-to-day operational areas of TBUK and will recommend to CMC operational outcomes aligning to TBUK's mission and business strategy.

TBUK operates in accordance with the context, strategy and founding principles of Triodos Bank Group and applies Group policies, including the Triodos Internal Regulations (TIR), amending and adopting them as is suitable for local business. This alignment with Group takes place through regularly scheduled discussions at Board and Senior Management levels.

Governance committees are allocated responsibility for monitoring and ensuring appropriate management within risk appetite of specific risk types. The allocation of primary risk types to each of these Committees is shown within Figure 3 above.

In 2024, the Committees governance structure is undergoing some changes to enhance the effectiveness and efficiency of decision making.

Risk Ownership

Each risk type identified is allocated a Risk Owner. Risk Owners are responsible for ensuring that appropriate risk management skills and resources exist in the First Line to manage risks in accordance with Risk Strategy and Risk Appetite.

With support from the Second Line Risk Function where necessary, the Risk Owner is responsible for ensuring the:

- Identification of risks and design, and implementation and embedding of appropriate controls;
- Development, maintenance, monitoring and reporting of risk appetite statements, measures and triggers;

- Development, implementation, and monitoring of compliance with risk specific policies and operating procedures, ensuring alignment to the relevant risk type frameworks and risk appetite;
- Identification, assessment, escalation, management, and monitoring of risk events;
- Production of risk reports to support Governance Committee decision making and challenge of First line;
- Development and execution of quality monitoring processes as required; and
- Embedding of Risk Management competencies and expected behaviours within their business areas.

Policies and Procedures

The Policy Framework is designed to support the clarification of internal controls by defining minimum operating standards, limits, and expectations which TBUK must operate within, aligned to TBUK's risk appetite. Policies and procedures are designed to provide sufficient coverage to direct the management and control of TBUK's risks. Policies are approved by the relevant committees on a periodic basis or if material changes are required.

Risk Strategy

The Risk Strategy supports TBUK's mission and business objectives by clearly identifying the types of risk the business strategy raises for TBUK, together with how those risks will be effectively managed; the Risk Strategy therefore provides key linkage from business strategy to RMF coverage.

The Risk Strategy is owned by the Board and is developed in parallel with TBUK's business strategy. The Board delegates the development and day-today implementation of the Risk Strategy to the CRO. The Risk Strategy, supported by high level Risk Appetite Statements, documents the desired risk management capability and approach for each of TBUK's Primary Risk types. Required Risk Management enhancements, generally or per individual risk type, e.g. in terms of available risk capacity, will also be documented to support progression towards the desired capability.

TBUK's overall objective in defining its Risk Strategy is to guide the construction and enable the delivery of the Business Plan in a sustainable, prudent and compliant way, supported by an effective and efficient RMF.

Risk Culture

Risk Culture is a sub-component of corporate culture and defined by the Basel Committee on Banking Supervisions (BCBS) as "norms, attitudes and behaviours related to risk awareness, risk-taking and management and controls that shape decisions on risks".

TBUK's Board and Senior Management are committed to establishing a positive risk intelligent culture. Amongst other factors, TBUK's Board defines its target risk culture as one where: everyone understands the approach to risk, takes personal responsibility to manage risk, and ensures the delivery of good customer outcomes in everything they do with the customer central to decision making; transparent risk reporting and effective, open challenge is strongly encouraged; the effectiveness of the risk capabilities and capacity of co-workers is continually monitored to maintain alignment to TBUK's risk profile in conjunction with the Training & Competence Scheme; and all co-workers act in a timely risk aware manner. Risk Culture is therefore a key component of TBUK's RMF.

Risk Appetite

TBUK defines Risk Appetite as "the aggregate level and types of risk TBUK is willing to assume within its currently available risk capacity to achieve its strategic objectives and business plan".

The Risk Appetite documents the settings for effective management of risks identified that might endanger TBUK's strategic goals, and which the RMF needs to manage too. Risk Appetite is set for each Primary Risk by TBUK Board and is articulated through a mix of qualitative and quantitative statements and measures. In addition to the Primary Risks, a Risk Appetite Statement is also maintained for Climate Change Financial Risk.

TBUK's Risk Appetite is reviewed on (at least) an annual basis and is set with full consideration to the Group Risk Appetite Statement. High-level Risk Appetite Statements are supported by relevant sets of KRIs also set by the Board.

Significant Risks

TBUK's principal risks and uncertainties, as at 31st December 2023, are set out in the Strategic Report on pages 47 to 59 of the Annual Report and Accounts 2023.

TBUK maintains a risk taxonomy to support the structure for managing risks with the RMF as outlined in table 1 below:

Table 1: Risk Categories

Primary Risk	2023 Performance	Risk Mitigation/Review
Strategic Risk The risk of a lack of achievement of the institution's overall objectives due to internal and/or external causes. Incorporates: Selection, Execution, Modification and Governance Risks.	Strategic risk has increased through 2023. The key drivers for this have been the external environment (cost of living, BoE base rate increases, and inflationary impacts faced by our customers). The ongoing economic uncertainty has made borrowing less attractive and origination activity more difficult.	Related solvency metrics are assessed and managed within the Board approved Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), and Recovery Planning requirements that incorporate appropriate stress testing to maintain the Bank's balance sheet strength in this regard. This provides focus on capital levels, liquidity levels and Profit & Loss (P&L) achievement.
Reputational Risk The risk arising from negative perception on the part of customers, counterparties, shareholders, investors, regulators, or other stakeholders that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding. Incorporates: People related, Process-related, and External world interaction Risks.	Reputational risk has remained stable through 2023 from the 2022 risk profile and continues to be low overall. While the DR position has regularised during the year, there has been potential reputational risk from heightened complaints from the process of restoring tradability of DRs on the MTF.	Aggregated risk metrics are monitored and are derived from a range of potential sources of Triodos Bank UK's reputational risk, e.g., complaints received and negative press coverage / social media sentiment / current net promoter score. To mitigate the risk, a range of actions are in place such as careful consideration of complaints received with prompt action taken in response and comprehensive monitoring of media coverage.
Capital Risk The risk of solvency failure due to insufficient capital reserves. Incorporates: Regulatory Capital, Capital Management and Financial Reporting Risks.	Capital risk has remained low throughout 2023. Triodos Bank UK remains well-capitalised and achieved a return on equity of 1.4%, which was impacted by the two one off large impairments in the year. There has been a continued focus on financial regulatory reporting risk, with additional processes, oversight and controls implemented through the year. A significant step has been taken in 2023 to move to a new supplier for the regulatory reporting system which will be implemented in 2024.	Triodos Bank UK maintains capital levels to ensure a prudent level of solvency whilst generating stable income so that the Bank can organically accumulate capital in line with the Risk Weighted Assets (RWA) growth. The Capital Management and Regulatory Reporting team monitors capital on a monthly basis and a rolling capital forecast is updated each month and presented to the Asset and Liability Committee quarterly for additional scrutiny and dissemination across functions within the Bank. A capital strategy has been agreed which sets out a target capital ratio for business planning purposes and sets out the longer-term strategy for how Triodos Bank UK will grow its balance sheet whilst also maintaining a strong capital ratio. The annual ICAAP stress tests the Bank's capital ratios across its business planning horizon using severe but plausible stress events, this process has demonstrated that Triodos Bank UK is sufficiently capitalised to withstand a range of different severe stresses. Given the minimal level of non CET1 capital Triodos Bank UK holds, the Bank's principal focus is on its Total Capital ratio which is monitored regularly with limits reviewed as part of the Bank's Risk Appetite.

		The implementation of Basel 3.1 has been postponed until July 2025, Triodos Bank UK has made an initial assessment of its expected impact and will continue to monitor future developments.
Credit Risk Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Incorporates: Obligor Risk, Counterparty Risk and Concentration Risk.	Credit risk has deteriorated through 2023 given the UK economic challenges. The Bank also booked partial write offs for two large one-off default cases during the year but the portfolio overall is well collateralised and remains focused on three core sectors where our customers have demonstrated resilience in the current economic environment – renewables, social housing and healthcare.	Business lending is a core activity of the Bank and a key risk area, which in response has an experienced 2nd line Credit Risk team established to review proposals from 1st line relationship managers in accordance with the established Board-approved lending and sector policies. Credit Risk is managed carefully, and additional credit risk resource has been recruited during the year to support customers and the Bank. Triodos Bank UK has a conservative portfolio spread across the sectors aligned with the Bank's mission and desired impact which is broken down in the 'development and performance of the business during the year' section. The portfolio supports customers through the economic cycle and generates return on equity aligned with the Bank's mission, business plans and impact.
Liquidity Risk Liquidity risk is the failure to be able to meet liabilities as they fall due. Incorporates: Liquidity Funding Risk and Liquidity Market Risk.	Liquidity risk has remained low throughout 2023, with liquidity remaining well above risk appetite. The Bank continues to benefit from a strong liquidity position due to the stable nature of its customer base, predominately focused on Retail deposits and with limited wholesale funding exposure.	Liquidity risk is governed by the Overall Liquidity Adequacy Rule (OLAR). The Board provides liquidity risk oversight through the approved Internal Liquidity Adequacy Assessment Process (ILAAP) and regular review of liquidity ratios. These requirements incorporate appropriate stress testing to maintain the Bank's balance sheet strength. The Treasury team develops effective processes to manage and control liquidity and funding on a day-to-day basis with oversight from the Risk team. The Bank aims always to hold sufficient liquid assets (deposits with other institutions, and high-quality liquid assets such as Gilts) to cover client commitments and meet regulatory requirements. The Bank maintains a conservative liquidity profile with the quality, quantity, and stability of funding sources to survive a 90-day severe but plausible stress at all times. In addition, the Bank uses other key regulatory measures including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Liquidity risk management is supported by active funding planning, and the maintenance of liquidity contingency plans as part of the Recovery Plan.
Market Risk The risk of losses in on and off-balance sheet positions arising from movements in market prices and changes in interest rates, foreign exchange rates, and equity and commodity prices. Market risk is often driven by other forms of financial risk such as credit and market liquidity risks. Incorporates: Interest Rate and Foreign Exchange Risks.	Market risk increased in 2023, as the Bank of England base rate rose significantly through the year from 3.5% to 5.25%. This increased current earnings but has the impact of creating future income risk exposure to a sudden fall in Bank of England base rate. This interest rate risk impact is mitigated by increasing the proportion of fixed rate assets on the balance sheet via bond purchases. The majority of Triodos Bank UK's market risk arises from changes in interest rates as the Bank has minimal foreign exchange exposure.	Interest rate related risks are modelled and managed monthly in accordance with regulatory requirements, principally via Economic Value of Equity (EVE) and Net Interest Income (NII) limits, and maintains very limited other market risk exposure, with no proprietary trading and a naturally hedged loan portfolio.
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This	Operational Risk has remained moderate throughout 2023, with actions in place to reduce this over time. Continued focus has been on:	The RMF sets out the systems, controls, and processes in place to manage Operational Risk, including Risk & Control Self-Assessments (RCSAs), risk event reporting and root cause analysis. There is continued evolution of RCSAs across a range of primary and secondary processes including creation of new

definition includes legal risk but excludes strategic and reputational risk. Incorporates: Legal, Process, Product, People, Internal Fraud, Technology, Information Security & Cyber, Operational Resilience, Business Continuity, Data Management, Outsourcing, Change, and Physical Security & Safety Risks.	• Enhancing the control environment and improving the effectiveness of those controls; • Managing resourcing (attrition levels and training & competency requirements); • Change management (extent and complexity of regulatory and internal change programs); • Operational Resilience (working towards achieving compliance ahead of March 2025 through evolving and embedding the Framework); • Residual risk exposure (implementing appropriate remediation with PTGs to bring back into appetite); and • Knowledge and awareness (conducting structured training programmes to raise levels of risk management activities)	RCSAs where gaps have existed previously. Long-overdue assessments are also back into the review cycle. Key Control Testing has been (and will continue to be) monitored and reviewed by 2nd line to ensure adequacy of execution and assessment, including follow-up and support where ineffective controls are identified. A new Triodos Bank Governance, Risk & Compliance tool (ServiceNow) continues to be implemented for primary processes and this is likely to continue throughout 2024 and into 2025. Additional workflows have now been implemented for risk event management and issue and action tracking.
Model Risk The potential for negative consequences arising out of the decisions made based on incorrect or misused model outputs and reports. It can result in financial loss, poor decision making, and reputational damage. The two main sources of model risk are fundamental errors in the model and incorrect or inappropriate use of the model.	Model risk was introduced as a new primary risk in Q1 2023 and the Model Risk Management (MRM) Framework and Triodos Bank UK MARC approved and implemented. Model Risk Management has continued to be enhanced through 2023 with all models identified and populated in the Model Inventory and Model Owners assigned for these models. In 2024 there will be a continued focus on the embedding of MRM in Triodos Bank UK with Model Risk Scores and Model Validation calendar the focus of attention.	Strong model risk management is recognised by the Bank as a key component of its RMF, which sets expectations for model risk management through a dedicated model Risk Management Framework and associated policies. Model Risk Management KRIs were approved in 2023 and are currently being developed as MRM matures.
Compliance Risk The risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities. Incorporates: Integrity (incorporating Conflict of Interest), Financial Crime Risk (includes Money Laundering & External Fraud) and Regulatory Compliance Risks.	Compliance risk increased through 2023 with heightened risks in some areas. This includes financial crime risk, in particular given increasing levels of card fraud and the sophistication of other fraud types across the economy; implementation of new regulatory requirements in July relating to Consumer Duty, and the associated industry-wide cultural shift expected by the FCA (see more detail below in the Conduct Risk section); and on consumer lending, ensuring we support our customers especially in the current cost of living crisis.	The RMF sets out the systems, controls, and processes in place to manage Compliance Risk, including risk & control assessments, risk event reporting and root cause analysis. The 2nd Line Compliance team supports regulatory compliance through a combination of advisory and monitoring activity. Monitoring activity includes both larger thematic and targeted shorter reviews to complement 1st Line Quality Assurance (QA) and oversight activity. Closer working relationships with first line Risk and Control functions have also been moved forward, and this will continue to be an area of focus as risk maturity develops. Triodos Bank UK launched its internal 'Springboard' programme in 2023 to ensure Triodos Bank UK can evidence and maintain its regulatory compliance and control environment in an adaptive, robust and cost-effective way.
Conduct Risk The risk that the firm or an individual's behaviour will result in poor customer outcomes. This may be because of product design, distribution and sales of	Conduct risk exposure has remained stable throughout 2023. Particular focus has been placed on maintaining the delivery of customer contact performance within stated service levels and ensuring that the complaints handling infrastructure	Key risk aspects monitored and actively managed include: • Delivery under the Consumer Duty infrastructure to assess all current Triodos Bank UK products in terms of customer outcomes, including price and value assessments and consumer understanding of disclosures. • Deeper customer and consumer research through a Consumer Panel, again linked directly with the Consumer

products or product servicing. Incorporates: Culture, Product & Services and Customer Treatment & Protection Risks (including Sales & Post Sales Risks).	delivers fair and prompt outcomes for customers.	Duty infrastructure to identify and drive forward product enhancements and improvements to customer service. • Complaints monitoring, with a broad range of other conduct risk metrics at Executive and Board Committees on a monthly basis. • Product governance maturity. • Particular consideration is given to the treatment of Vulnerable Customers. All these aspects are being moved forward as part of the Bank's implementation of Consumer Duty, with increased focus on the delivery and management of outcomes.

An additional focus of the Board has been on improving Triodos Bank UK's approach to managing the Financial Risks of Climate Change (FRCC) and has implemented a number of workstreams to improve how we manage both the physical and transition risks associated with FRCC. This included embedding numerous workstreams for Governance & Risk Management, Data, Scenario Analysis, Training & Communications, Net Zero Alignment and Disclosures.

Risk Statement

TBUK provides banking services and related financial services within the UK with the aim of enabling individuals, institutions, and businesses to use money more consciously in ways that benefit people and the environment and promote sustainable development.

TBUK's strategy is based on that purpose, to be the ethical finance provider of choice in the UK market, delivered through a strategy to increase the impact of the organisation by serving more customers, with the products they want us to provide.

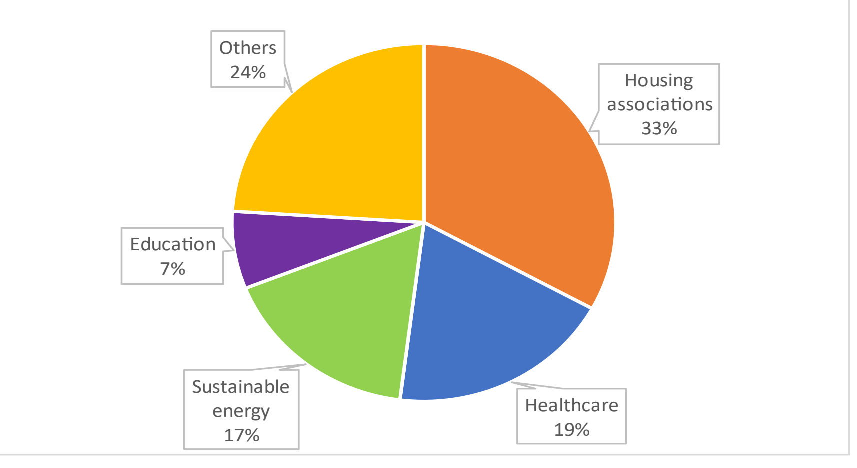
Underpinning this, TBUK sets a clear risk appetite to operate within and seeks to deliver best-in-class execution through highly engaged colleagues, working together to deliver its goals.

Risk Management Overview

Effective enterprise-wide risk management is a core component of our strategy and operations. We adopt a holistic, end to end view of risk, ensuring that the key risks arising from our activities are effectively identified, assessed, and controlled. Our objective is to support the strategy of TBUK by thinking broadly about risks and managing them in an appropriate manner relative to the size and complexity of our business.

The strategies and processes in place to manage these categories of risks were outlined in Table 1 above (Risk Categories). Figure 4 below provides a high level summary of TBUK's key lending sectors:

Figure 4: Summary of key loan book sectors (% of total drawn loans and undrawn commitments)



Triodos Bank

3. CAPITAL RESOURCES

Overview

The CRR sets out measures to protect financial markets and customers from the risk of banks failing by requiring banks to have sufficient capital to be able to absorb unexpected losses and remain financially resilient.

The CRR requires banks to hold minimum amounts of capital, set by reference to its Risk Weighted Assets (RWAs). RWA is a banking term used to link the minimum amount of capital that banks must hold, with the risk profile of the bank's lending activities (and other assets). It converts exposure amounts into an RWA figure by multiplying the exposure by the applicable Risk Weight % (RW%), where the RW% is set in terms of the riskiness of the exposure. The more risky the lending, the higher the RWA and, hence, the higher the capital requirement.

The CRR recognises three tiers of capital that can be held by a bank to meet capital requirements which are classified according to their quality and accessibility: Common Equity Tier 1 Capital (CET1), Additional Tier 1 Capital (AT1) and Tier 2 Capital. These are collectively known as 'Own Funds'. TBUK is required to hold an amount of Own Funds which sufficiently minimises the chance of TBUK becoming insolvent.

Total Capital Resources

TBUK's regulatory capital of £198.2m as at 31 December 2023 consisted of CET1 (£192.5m) in the form of ordinary share capital (£172m) and reserves (£21.3m) with regulatory deductions (-£0.8m), and Tier 2 capital representing subordinated debt (£5.7m).

The table below show the total available capital resources of TBUK.

Table 2: Total Capital Resources

	31-Dec-23 £'000	**31-Dec-22 £'000**
Common Equity Tier 1 (CET1) capital		
Ordinary share capital	172,000	172,000
Retained earnings[1]	21,296	14,892
CET1 capital before regulatory adjustments[2]	**193,296**	**186,892**
Regulatory adjustments to CET1 capital		
Intangible assets[3]	(£752)	(£899)
Insufficient coverage for non-performing exposures[4]		(£221)
Total regulatory adjustments to CET1 capital	**(£752)**	**(£1,120)**
CET1 capital	**192,544**	**185,772**
Additional Tier 1 capital	**-**	**-**
Tier 2 capital		
Subordinated loan notes (unlisted)[5]	5,695	5,695
Tier 2 capital	**5,695**	**5,695**
Total capital	**198,239**	**191,467**

[1] Retained earnings includes £55k merger reserve

[2] CET1 capital before regulatory adjustments agrees to equity and reserves in the Annual Report excluding 2023 profit which has not been included in own funds pending signing off of annual accounts.

[3] An amount is deducted from capital for any intangible assets held on the balance sheet which are being amortised over a period of more than 3 years.

[4] The CRR introduced a 'prudential backstop' for non-performing exposures (NPE) which seeks to set a minimum level of provisions which should be held against NPEs 2 years after default. Where this provision level exceeds the actual provisions the institution is holding, a capital deduction is made to cover the difference. This requirement was removed in November 2023 as per PS 14/23.

[5] TBUK issued £5.69m of subordinated debt on 23 December 2020 with a maturity of 10 years. The full £5.69m was eligible as Tier 2 capital as at 31 December 2023.

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4. CAPITAL REQUIREMENTS

Capital Requirements are set in relation to RWAs where the requirement is set as a minimum ratio between an institution's Total Capital and it's total RWA.

Credit Risk Exposure RWAs

TBUK uses the standardised approach to calculate its RWA value for its exposures. Under this approach the exposure value after taking into account value adjustments and credit conversion factors (CCFs) is converted into an RWA by multiplying the exposure value by a risk weight as set out by the relevant authority. There are different risk weights for different types of exposures (asset classes).

A summary of TBUK's RWAs and corresponding minimum Pillar 1 capital requirements for each of the asset classes is provided below in Table 3.

Table 3: Credit Risk RWAs broken down by Asset Class

	Risk-weighted assets		Pillar 1 Capital requirements[1]	
Exposure class	**31-Dec-23 £'000**	**31-Dec-22 £'000**	**31-Dec-23 £'000**	**31-Dec-22 £'000**
Central governments or central banks	-	-	-	-
Public sector entities	311	725	25	58
Multilateral development banks	-	-	0	-
Institutions	10,295	10,892	824	871
Corporates	297,075	331,179	23,766	26,494
Retail	38,164	44,463	3,053	3,557
Secured by mortgages on immovable property	335,011	310,096	26,801	24,808
Exposures in default	61,892	62,144	4,951	4,972
Covered bonds		0	-	-
Items associated with particularly high risk[2]	13,060	10027	1,045	802
Other items	16,076	15,797	1,286	1,264
Total	**771,883**	**785,323**	**61,751**	**62,826**

[1] Pillar 1 requirements are set at 8% of RWAs.

[2] The RWAs reported as 'Items Associated with particularly high risk' relate to development lending to Community Land Trusts.

Operational Risk RWAs

TBUK uses the Basic Indicators Approach (BIA) to determine its Operational Risk capital requirement. The capital which must be held for an institution under the BIA is determined by multiplying the 3-year average of the annual relevant indicator by a factor of 15%. For TBUK, the relevant indicator is the sum of its net interest income, net fee and commission income, and other operating income. This capital figure is then converted into an RWA by dividing it by the 8% Pillar 1 requirement. Table 4 below shows the calculation of TBUK's Operational Risk.

Table 4: TBUK Operational Risk Requirement

	31-Dec-23 £'000	**31-Dec-22 £'000**
2020 Relevant indicator		34,552
2021 Relevant indicator	39,108	39,108
2022 Relevant indicator	47,860	47,860
2023 Relevant indicator	55,645	
3 year average income figure	47,537	40,507
Capital requirement	7,131	6,076
Operational risk RWA	89,132	75,950

Market Risk

Market Risk can be defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. TBUK does not have a trading book and the risks subject to market risk capital charges for banking book instruments are limited to foreign exchange and commodities risk.

Article 351 of the CRR sets out that an institution only needs to calculate an Own Funds requirement for foreign exchange risk if the sum of an institution's overall net foreign-exchange position and its net gold position, calculated in accordance with the procedure set out in Article 352, exceeds 2% of its Total Own Funds. TBUK manages its foreign exchange risk by maintaining a net mismatch in currencies below the KRI limit of £3.5m this typically is managed on a daily basis to £500k. This is done by matching any euro loan positions with a corresponding intercompany euro loan in which TBUK borrows euros from TBNV. This is below the 2% of Own Funds criteria (circa £4m) so no Market Risk capital requirement needs to be calculated for foreign exchange risk. There are no significant exposures to any currencies other than sterling and euro.

As at 31 December 2023 TBUK had an intercompany loan based in euros from TBNV with a sterling value of £17.6m (€20.3m) which as noted above is used to net off against the Euro denominated loans TBUK has for the purposes of managing TBUK's foreign exchange risk.

TBUK has no commodity exposures in its banking book and hence no Market Risk capital requirement needs to be calculated for commodities risk.

Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions, or portfolio of transactions with the counterparty, have a positive economic value at the time of default. Unlike a firm's exposure to Credit Risk through a loan, where the exposure to Credit Risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

CCR arises from a bank's exposure to derivatives, margin lending, securities lending, repurchase and reverse repurchase, or long settlement transactions before final settlement of the transaction's cash flows and where the exposure at default is crucially dependent on market factors. TBUK does not hold any such instruments and, as such, has no capital requirement for CCR.

TBUK's Capital Requirements

The required capital ratio is split out into different components as below

- Pillar 1 which is set at 8% of RWAs for all banks;
- Pillar 2a which is institution specific and aims to take account of any risks in the business not adequately covered under Pillar 1;
- Pillar 2b also referred to as the PRA buffer is a buffer to absorb losses that may arise under a severe stress scenario over and above the Regulatory Capital Buffers;
- Regulatory Capital Buffers which are mandatory buffers set by Regulators that financial institutions are required to hold in addition to other minimum capital requirements;
- Pillar 2a and 2b are both set by the relevant Regulator which for TBUK is the PRA;
- The total of the Pillar 1 and Pillar 2 requirements gives the Total Capital Requirement (TCR); and
- The total of the TCR and Regulatory Capital Buffers gives the Overall Capital Requirement (OCR).

As at 31 December 2023, and throughout the period, TBUK has complied with the OCR in force as set out by the PRA.

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Pillar 2 Capital Requirements

Specific capital requirements for institutions are set by the PRA as part of the Pillar 2 requirement. Both Pillar 2a and Pillar 2b are set during the PRA's Supervisory Review and Evaluation Process (SREP). For TBUK this process takes place every 2 to 3 years. The process for setting the Pillar 2 requirement involves each bank conducting an internal review of its risk profile through an Internal Capital Adequacy Assessment Process (ICAAP). In this process each bank calculates its Pillar 1 requirements and then considers any risks which are not adequately covered by the Pillar 1 requirements. The ICAAP will also consider the capital impact of a severe and plausible stress and whether the Regulatory Capital Buffers in place are adequate to absorb the losses resulting from this stress. If the current Regulatory Capital Buffers are inadequate then the PRA may set a Pillar 2b add-on. The PRA review ICAAP documentation, methodologies and calculations to form a view on whether the ICAAP calculations can be considered as reliable. The ICAAP calculations – where deemed reliable or partially reliable – will then be the starting point for the determination of the Pillar 2 requirements by the PRA.

As at 31 December 2023 TBUK had a Pillar 2 requirement of 3.84%.

This gave TBUK a TCR of 11.84% made up as follows:

Table 5: TBUK Total Capital Requirement

Total capital requirement (TCR)	**31-Dec-23**
Pillar 1	8.00%
Pillar 2a	3.84%
Pillar 2b	0.00%
TCR	11.84%

REGULATORY CAPITAL BUFFERS

Credit institutions are also required to hold capital buffers as set by the competent authority. For TBUK the competent authority is the PRA and these buffers are as follows:

The Capital Conservation Buffer (CCoB)

The CCoB is a buffer which is required to be held by all institutions under the Capital Requirements Directive (CRD) IV. The CCoB is designed to ensure that institutions build sufficient capital buffers outside a period of stress which can then be utilised in a stress. The CCoB has been set at 2.5%.

The Countercyclical Buffer (CCyB)

The CCyB is a country-specific buffer designed to counter procyclicality in the financial system. When cyclical systemic risk is judged to be increasing, the buffer forces institutions to accumulate capital to create buffers that strengthen the resilience of the banking sector during periods of stress when losses materialise.

Institutions are required to calculate an institution-specific CCyB as a weighted average of the CCyB rates that apply in the countries where that institution's credit exposures are located. For TBUK, 98.6% of capital requirements relate to UK exposures with the only other material requirements arising from exposures in Ireland (1.24%) and Denmark (0.15%). As such the TBUK CCyB is determined by calculating 98.6% of the CCyB in place in the UK and summing this with 1.24% of the CCyB in place in Ireland and 0.15% of the CCyB in place in Denmark.

In the UK, parliament has delegated the role of setting the CCyB to the Financial Policy Committee (FPC). The FPC set the CCyB at 2% in July 2023, no further future changes have been communicated from this point at the time of writing this Pillar 3 document. Ireland set their CCyB at 1% in November 2023 and are due to increase this to 1.5% in June 2024. Denmark set their CCyB at 2.5% in March 2023 with no future changes currently communicated. As at December 2023 the combination of the above sets TBUK's CCyB at 1.99%. Table 6 below shows the geographical distribution of TBUK's loans as well as the CCyB calculation:

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Table 6: TBUK Loan book geographic distribution and CCyB calculation

31 December 2023	Exposure value £'000	Pillar 1 Own funds requirements £'000	Own funds requirements weights %	CCyB rate set by the Designated Authority %	Institution specific CCyB calculation %
(GB) Great Britain and Northern Ireland	1,170,183	60,801	98.61	2.00	1.97
(IE) Ireland	15,907	765	1.24	1.00	0.01
(DK) Kingdom of Denmark	2,211	90	0.15	2.50	0.00
Other	9	1	0.00		
Total	**1,188,310**	**61,658**	**100.00**		**1.99**

Overall Capital Requirement (OCR)

When combined with the TCR, the above buffers give TBUK an OCR of 16.33%.

Table 7: TBUK Overall Capital Requirement

Overall Capital Requirement (OCR)	31-Dec-23
TCR	11.84%
CCoB	2.50%
CCyB	1.99%
OCR	16.33%

TBUK Capital Ratios

Table 8, below, shows TBUK's Total RWAs broken down by their risk type as well as TBUK's TCR and OCR

Table 8: TBUK RWAs and Capital Ratios

	RWA 31-Dec-23 £'000
Credit risk	771,883
Operational risk	89,132
Market risk	-
Counterparty Credit risk	-
Total	861,016
TBUK Total capital ratio (%)	23.02%
OCR	16.33%

Composition of Capital Requirements

The CRR sets out that the various elements making up a bank's OCR must be met by minimum levels of each of the three categories of capital: CET1, Additional Tier 1 (AT1) and Tier 2 (T2). Table 9 below shows the minimum amount of each tier of capital that the OCR must be met with. Table 10 then shows these requirements translated into TBUK's OCR with the bottom row showing TBUK's actual CET1, Tier 1 and TCR position:

Table 9: Minimum Capital Requirements by Type of Capital

	31-Dec-23		
	CET1	AT1 + CET1	Total capital (CET1, AT1, T2)
Pillar 1	56.25%	75.00%	100.00%
Pillar 2a	56.25%	75.00%	100.00%
CCoB	100.00%	100.00%	100.00%
CCyB	100.00%	100.00%	100.00%

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Table 10: TBUK Minimum Capital Requirements by Type of Capital

	31-Dec-23		
	CET1	Additional Tier 1 + CET1	Total capital (CET1, AT1, T2)
Pillar 1	4.50%	6.00%	8.00%
Pillar 2a	2.16%	2.88%	3.84%
CCoB	2.50%	2.50%	2.50%
CCyB	1.99%	1.99%	1.99%
TCR requirement	6.66%	8.88%	11.84%
OCR requirement	11.15%	13.37%	16.33%
TBUK capital ratios	22.36%	22.36%	23.02%

As can be seen in Table 10, there is little difference between TBUK's CET1 ratio and Total Capital Ratio, this is due to TBUK's capital being predominantly made up of CET1 capital. For this reason the most important ratio for consideration of TBUK's capital adequacy is the TCR as opposed to the CET1 or AT1 ratios.

5. LEVERAGE

As per Supervisory Statement SS45/15 TBUK does not meet the criteria set out in 1.A.2 as deposits are significantly lower than £50bn. As such TBUK must only comply with 1.A.5 which states that 'Firms that are not in scope of the leverage ratio requirement are nevertheless expected to manage their leverage risk so that their leverage ratio – to be calculated based on the same rules as the in-scope firms - does not ordinarily fall below 3.25%.' The PRA expects banks not in scope of the leverage ratio requirement to meet the expectation with 75% CET1, i.e. the highest quality of capital.

Although not in scope for strict leverage ratio requirements, TBUK considers its ability to meet the above ratio as part of its core regulatory requirements.

The ratio is calculated as:

$$\frac{\text{Tier 1 capital after deductions}}{\text{Leverage ratio exposure measure}}$$

Where the leverage ratio exposure measure is the total of:

- On balance sheet assets as per financial statements excluding;
  - amounts held with the Bank of England; and
  - amounts deducted from capital as per notes 3 & 4 of Table 2.
- Off balance sheet items after application of the relevant Credit Conversion Factors (CCFs).

Table 11 below, shows information regarding TBUKs leverage ratio for the last 2 years. These are year-end, point-in-time leverage positions as opposed to averages over the year. A reconciliation of the Leverage ratio exposure measure to the balance sheet is also shown in the table:

Table 11: TBUK Leverage Ratio

	31-Dec-23 £'000	31-Dec-22 £'000
Leverage ratio	11.57%	11.73%
Tier 1 capital after deductions	192,544	185,772
Leverage ratio exposure measure	1,664,149	1,583,516
On balance sheet assets as per financial accounts	£1,897,815	£1,876,832
Central bank assets excluded from leverage ratio exposure measure	(£278,459)	(£355,967)
Amounts deducted from capital	(£752)	(£1,120)
Off balance sheet items after application of CCFs	£45,545	£63,771

6. LIQUIDITY COVERAGE RATIO

The Liquidity Coverage Ratio (LCR) is defined by the LCR Delegated Act (Commission Delegated Regulation (EU) 2015/61), which also sets out the eligibility criteria for High Quality Liquid Assets ("HQLA"), and the stressed parameters for inflows and outflows.

The aim of the LCR is to ensure that Institutions have sufficient liquid assets to withstand a short-term liquidity stress of 30 days by comparing the Institution's HQLA holdings to its net outflow in a period of stress.

The LCR is calculated as follows: $\frac{\text{Liquidity buffer (HQLA)}}{\text{Net cash outflows over 30 day stress scenario}}$

Where the net liquidity outflow is determined by calculating a stressed outflow value and subtracting from this the stressed inflow which will take place over the next 30-day period. The stressed outflow is determined by multiplying the outstanding balances of various categories of liabilities and off-balance sheet commitments by the supervisory rates at which they are expected to run off or be drawn down in the 30 day stress period. The stressed inflow is determined by applying inflow rates to balances due to be paid to the institution over the next 30 days.

TBUK has an LCR requirement of 100%.

As at 31 December 2023, TBUK's LCR was 420.8%. This is calculated as a total HQLA of £715.9m divided by net cash outflows of £170.1m.

Table 12, below, shows the average LCR based on end-of-month observations over the preceding 12 months for each quarter:

Table 12: TBUK Average Annual Liquidity Coverage Ratio by Quarter-End

	31-Mar-23 £'000	30-Jun-23 £'000	30-Sep-23 £'000	31-Dec-23 £'000
LCR	450%	462%	474%	467%
Liquidity buffer	642,020	663,242	680,445	689,822
Stressed outflow	185,369	185,722	185,621	191,933
Stressed inflow	40,095	39,913	39,858	41,352
Net stressed outflow	145,273	145,809	145,763	150,581

As can be seen in Table 12, above, the average LCR over the last year has significantly exceeded the regulatory minimum. The minimum ratio was also exceeded in each of the individual months on which the averages have been calculated.

7. NET STABLE FUNDING RATIO

The Net Stable Funding Ratio (NSFR) requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to an Institution's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off-balance sheet items, and promotes funding stability.

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an ongoing basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") for a specific Institution is a function of the liquidity characteristics and residual maturities of the various assets held by that Institution as well as those of its off-balance sheet (OBS) exposures.

The NSFR is calculated as follows: $\frac{\text{Available stable funding}}{\text{Required stable funding}}$

Where Available stable funding is calculated by multiplying an Institution's different types of funding by an applicable weight which is representative of the stickiness of the funding and Required stable funding is calculated by multiplying each type of an Institution's assets by an applicable weight which takes into account the assets quality, tenor and liquidity value as well as bank behaviour.

Table 13, below, shows the average NSFR based on end-of-quarter observations over the preceding 12 months for each quarter of 2023:

Table 13: TBUK Average Annual Net Stable Funding Ratio by Quarter End

	31-Mar-23 £'000	30-Jun-23 £'000	30-Sep-23 £'000	31-Dec-23 £'000
NSFR ratio	178%	182%	185%	188%
Available stable funding	1,630,285	1,649,418	1,664,527	1,676,196
Required stable funding	913,825	905,117	900,316	893,724

As can be seen by Table 13, above, the average NSFR ratio over the last year has significantly exceeded this regulatory minimum.

8. REMUNERATION POLICY AND PRACTICES

These disclosures are made in accordance with Article 450) 1) parts a) – d), h) & i) of the CRR.

Remuneration Policy

As a wholly owned subsidiary of Triodos Bank N.V., TBUK is closely aligned to the existing mission and business strategy of Triodos Bank. As a global pioneer in sustainable banking, Triodos Bank supports projects that benefit people and the planet and believes that banking can be used as a powerful force for good. As a values led organisation, the International Remuneration & Nomination Policy (the Policy) is based on the principle of human dignity and aims to enhance social coherence within the organisation. The policy applies to all business units of Triodos Bank, which includes TBUK. It applies to all co-workers with local interpretations at a country level to ensure compliance with local legislation and practices.

The key principles of the policy are:

Fair remuneration and social coherence

Remuneration within Triodos Bank aims to be gender neutral. Our view is that remuneration enables co-workers to earn a decent living and contribute to the organisation and society at large. Remuneration practices within Triodos Bank need to be within scope of what is expected in the financial sector, but at the same time maintain a relatively low ratio between the lower and higher level of salaries paid. Variable remuneration components are modest and discretionary and are not an incentive to favour the co-workers or Triodos Bank's own interest to the detriment of Triodos Bank's customers. This contributes to a strong sense of co-workers being jointly responsible for realising the mission of Triodos Bank.

Risk mitigation and avoiding conflicts of interest

The Policy aims to encourage business practice that lies within the risk appetite of Triodos Bank. Triodos Bank chooses not to have bonuses (variable remuneration based on predetermined targets or achievements) as this can enhance a culture of taking unjustified risk. The Policy recognises fixed salaries and limited variable remuneration on a discretionary basis.

The Policy is reviewed on an annual basis. The Group Director for Human Resources (HR) will assess the Policy in view of the values of Triodos Bank and the relevant regulations in the countries where Triodos Bank operates. At Group level, the Legal Department will monitor the legal developments and notify HR of any changes in regulation related to remuneration that need to be included in this Policy.

The Group Director of HR will present the reviewed Policy to the Group Executive Board after consultation with the Group Director for Internal Audit, Group Director for Compliance and Group CRO. After approval, the Remuneration Committee is consulted, who recommend to the Group Supervisory Board to approve the Policy. Execution of the Policy is audited by Internal Audit on an annual basis.

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Link Between Pay and Performance

There are two main elements of remuneration for co-workers:

Fixed remuneration

- Fixed salaries – each co-worker's salary is based on the position of the role in the Job Family Framework. A salary table operates in each country and is based on the Job Family Framework. Co-worker salary levels aim to be within a median range, with the same scale for men and women; and
- Benefits (including pension and non-cash non-contractual benefits such as private healthcare).

Variable remuneration

- Tokens of appreciation (TOAs) – Triodos Bank believes linking performance to financial awards does not lead to desired results and behaviour. The TOAs can be individual or collective. Individuals are granted TOAs in retrospect for extraordinary achievements and the TOA cannot exceed one month's salary up to a maximum of €10,000 gross in one year. Collective TOAs may be paid for the overall achievements and contribution of all co-workers with a maximum €500 per year per co-worker. The TOAs are subject to clawback arrangements. The members of Triodos Bank's Executive Board are excluded from these awards; and
- Severance payments – should be modest and follow local legislation or generally accepted norms. Severance payments to members of Triodos Bank's Executive Board do not exceed one year's salary.

Triodos Bank does not offer bonus or share option schemes to members of the Executive Board, the Supervisory Board, the Board of Stichting Administratiekantoor Aandelen Triodos Bank N.V (SAAT) or to co-workers.

Local Application of International Remuneration & Nomination Policy

At a local level, the UK Board is responsible for remuneration policy and governance of all matters relating to remuneration within TBUK. The UK Remuneration Guidelines provide a local interpretation of core elements of the Policy with respect to fixed salaries and TOAs. Remuneration was a specific agenda item for discussion at board a total of 7 times in 2023.

The total overall increase in TBUK's combined salaries is recommended each year by the HR Director, CFO and CEO, who have the necessary skills to exercise the appropriate judgement with regards to remuneration policy and practices, and approved by TBUK Board. Remuneration of locally defined roles, CEO, CMC and Local directors, is approved according to the RACI responsibilities outlined in the Policy.

Quantitative Disclosures

This section provides details of the remuneration of Material Risk Takers (MRTs) at TBUK for the year ending 31 December 2023. A detailed breakdown of all staff costs can be found in Note 5 of the Annual Report and Accounts.

MRTs are those individuals whose professional activities have a material impact on TBUK 's risk profile. MRTs are defined in the remuneration section of the PRA rulebook under section 3.1 (1) as follows:

- All members of the management body and senior management;
- Employees with managerial responsibility over the firm's control functions or material business units;
- Employees entitled to significant total remuneration in the preceding financial year, where:
    - that total remuneration was equal to or greater than £440,000 and equal to or greater than the average remuneration awarded to the members of the firm's management body and senior management referred to in (a); and
    - the employee performs the professional activity within a material business unit and the activity is of a kind that has a significant impact on the risk profile of a material business unit;
- Employees whose professional activities are deemed to have a material impact on the firm's risk profile under 3.2A and 3.3A

Triodos Bank

The number of MRTs increased from 19 to 20 in 2023 to include a newly created director role. This figure includes all members of the Board, Senior Management Team, Heads of relevant control functions and members of the Business Banking team with significant decision making responsibilities.

Table 14 below, provides the breakdown of remuneration for the individuals who held these roles at year end. Fixed remuneration is defined as base salary and other benefits (such as pension and healthcare). Variable remuneration is defined as TOAs awarded in the financial period.

Table 14: Remuneration

	31-Dec-23 MRTs	31-Dec-22 MRTs
Number of staff	20	19
Fixed remuneration (£'000)	2,271	1,979
Variable remuneration (TOAs) (£'000)	5	2

No co-worker received variable or total remuneration in excess of £440,000.

Table 15 below provides information on any severance payments made to any individuals who were acting in MRT identified roles during the 2 reference periods.

Table 15 Severance payments

	31-Dec-23 MRTs	31-Dec-22 MRTs
Number of staff	1	2
Severance pay	52	30
Highest amt paid	52	24

* All severance payments relate to Payment in Lieu of Notice

** The individuals who received severance payments in 2022 and 2023 are not included in the number of staff reported in Table 14 as these figures are representative of the number of MRT roles as opposed to the number of staff who held the roles at any point during the year