Making Positive Impact.

Triodos Bank UK Limited

Annual Report and Accounts 2023

Annual Report for the year ended 31 December 2023

Triodos Bank UK Limited

Registered office

Triodos Bank
Deanery Road
Bristol BS1 5AS
Telephone: 0330 355 0355
Website: www.triodos.co.uk

Triodos Bank UK Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England & Wales with company number: 11379025. Triodos Bank UK Limited is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. Financial Services Registration Number: 817008.

Board of Directors

Gary Page	Chair, Independent Non-Executive Director	
Richard Burrett	Independent Non-Executive Director	
Karen Furlong	Independent Non-Executive Director	
Keith Bevan	Independent Non-Executive Director	
Alessandra Mongiardino	Independent Non-Executive Director	From 1 January 2023
Wibout de Klijne	Non-Executive Director	
Bevis Watts	Executive Director	
Sian Williams	Executive Director	From 1 January 2023

Company secretary

Tania Deitch	Corporate Secretary	Until 13 March 2023
Tanya Philip	Head of Legal and Company Secretary	From 11 September 2023

Management team

Bevis Watts	Chief Executive Officer	
Sarah Ball	Chief Financial Officer	
Sian Williams	Chief Risk Officer	
Judy Rose	Chief Operating Officer	Until 29 February 2024
Mark Clayton	Chief Operating Officer	From 1 March 2024
Gwyn Rhodes	Director of Business Banking	Until 26 January 2023
Phillip Bate[1]	Director of Business Banking	From 18 September 2023
Roger Hattam	Director of Retail Banking	
Zoe Ruthven[2]	Director of Marketing & Communications	
Catherine Ridd	Director of Human Resources	
Stefan Hargrave	Director of Internal Audit	
Brendan Donnelly[3]	Director of Springboard Programme	From 4 September 2023

[1] Phillip Bate was Acting Director of Business Banking from 30 January 2023 until 17 September 2023
[2] Née Sears
[3] The Director of Springboard Programme became a co-opted member of the Senior Management Team for the duration of the Springboard Programme

Independent auditors

PricewaterhouseCoopers LLP
2 Glass Wharf
Temple Quay
Bristol BS2 0FR

Our mission

Triodos Bank makes money work for positive change in society.
We are in business to help create a society that promotes the quality of life of all its members on a thriving planet, with human dignity at its core.

Our core values

→ Freedom
→ Equity
→ Responsibility

Our business principles

→ Respect
→ Integrity
→ Professionalism
→ Inclusivity
→ Transparency
→ Ownership
→ Entrepreneurship

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Strategic Report

Triodos Bank UK Limited is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

It was established in 2019 to ensure the continued operation of Triodos Bank in the UK following 24 successful years as an overseas branch of Triodos Bank N.V. Triodos Bank UK Limited (hereafter 'Triodos Bank UK' or 'the Bank') is a wholly owned subsidiary of Triodos Bank N.V. (incorporated in the Netherlands) and is closely aligned to the existing mission and business strategy of the Triodos Bank Group (hereafter 'Triodos Bank').

Triodos Bank is a global pioneer in sustainable banking, using the power of finance to support projects that benefit people and the planet. We believe that banking can be a powerful force for good: serving individuals and communities as well as building a more sustainable society. We support our customers to generate value in a transparent and sustainable way.

Fair review of the business

Triodos Bank UK is a retail deposits funded lending operation, supporting primarily 'Small to Medium-sized Enterprises' whose objectives are aligned with those of the Bank. Growth over the years has been organic, attracting borrowers and savers with ambitions aligned with the Bank's: to make money work for positive social, environmental and cultural change.

Triodos Bank UK adopts and fully aligns to the mission, purpose and values of Triodos Bank. Triodos Bank believes in the transformative power of money. Through our activities as a financial institution, we make money work for positive change and promote the conscious use of money. By doing so, we aim to contribute to social renewal based on the principle that every human being can develop themselves in freedom, that they each have equal rights, and all bear responsibility for the consequences of their actions on other people and the Earth.

Triodos Bank aims to achieve its mission as a sustainable bank in three ways:
1. As a values-driven service provider
2. As a relationship bank; and
3. As a frontrunner in responsible banking

The purpose of Triodos Bank UK is reflected through the strategy, policies and procedures which embed a positive corporate and risk management culture. These values also support the Bank's commitment to ensuring the fair treatment of its customers and ensuring that the products and services provided continue to meet customer demands and needs.

The companies, institutions and projects to whom Triodos Bank UK lends add cultural value, and benefit people and the environment, with the support of depositors and investors who want to encourage socially responsible business and a sustainable society.

Triodos Bank UK offers the following products and services:
- Savings products and current accounts for customers;
- Loan products to mission-aligned organisations;
- Investment products in the form of impact investment funds;
- Direct investment in the form of corporate bonds and direct capital investments in mission-aligned organisations and projects; and
- Corporate finance advice to organisations to structure appropriate capital and fund raising, including via a crowdfunding platform.

The current footprint of Triodos Bank UK relative to the size of the UK economy is small, but there is considerable demand for a more conscious and sustainable form of banking in the UK, which delivers benefit for Triodos Bank UK customers, society and the financial system.

Triodos Bank UK's balance sheet is funded by customer deposits and equity and has a loans to funds entrusted (deposits) ratio as at 31 December 2023 of 67% (2022: 68%). Customer deposits, combined with capital, including the share capital provided by the parent company, support a healthy liquidity position and a Liquidity Coverage Ratio (LCR) as at 31 December 2023 of 421% (31 December 2022: 443%). Triodos Bank has a relatively simple business model, using the 'real' money provided by our savers and investors to create positive impact through investments and loans in the 'real' economy. This means that Triodos Bank UK have not engaged in the 'money markets' or in wholesale lending to other banks, which involves moving money around in the global financial system, as part of our core strategy.

However, our UK banking licence does require us to demonstrate the financial resilience of our business model and stress-test our ability to variances in liquidity, should this be necessary at any point in the future. It is for this reason that we make small scale money market transactions to test the validity of our recovery plan assumptions. At a Group level, Triodos Bank uses money market transactions where appropriate given the scale and complexity of the business.

Highlights from 2023

Despite the ongoing challenging macro-economic environment, Triodos Bank UK demonstrated a resilient financial performance in 2023 where although the Bank experienced increased impairment from two large one-off impairment cases, the Bank's liquidity and capital performance remained strong.

It has been a difficult year that brought five consecutive interest rate rises, high inflation and cost of living pressures, global conflict and the very real impacts of climate change causing widespread disruption. In this context, we feel emboldened to keep striving to demonstrate how banking can be done differently and to work hard to be more efficient to deliver greater impact.

This year Triodos Bank UK became a Which? Eco Provider, one of only three banks in the UK to achieve this new accreditation. We were also recognised through industry awards being named 'Best Ethical Financial Provider' at the British Bank Awards, winning 'Charities' Bank of the Year' at the Charity Times Awards, in recognition of outstanding support for the sector, and being highly commended as 'Company of the Year' at the UK Green Business Awards.

Our model of sustainable banking proves that impact and returns can go hand in hand. Triodos Bank is healthy and strong, has solid capital ratios, is growing steadily and has always been profitable. Knowing that Triodos Bank is more relevant than ever, our commitment remains the same as it has always been - to use money as a force for good, enabling a prosperous life for people on a thriving planet.

This approach is supported by our business principles, minimum standards, and transparency. More information on these can be found in the Triodos Bank Integrated Annual Report (www.annual-report-triodos.com) or on our website.

In March 2023, Triodos Bank published our vision on transformative impact. This vision charts the way forward to achieve deep, systemic transformation. It includes five transition themes to reach this societal transformation and the role of Triodos Bank in contributing to this transformation. These five transitions are the energy, food, resource, societal and wellbeing transitions.

At Triodos Bank UK our lending continues to support areas such as affordable green homes and community renewable energy and education providers, small businesses and charities. Knowing that we need a major shift to a much more nature-based economy, and in support of our ambitious As One to Zero 2035 target, we have completed several nature-based investments and are working on more.

Lending to the charity Heal Rewilding this year marked Triodos Bank UK's first finance for a rewilding project. A £20.55m loan facility to Oxygen Conservation is supporting nature restoration projects – marking what is believed to be the largest conservation-focused commercial debt package in the UK to date. The Bank is committed to scaling these types of projects for the future through continued exploration of the commercial opportunities available.

Triodos Bank UK has an ongoing programme of engagement as it strives for a banking world that is sustainable, transparent, and diverse. Formal responses have been submitted to consultations by the regulator on the issues such as banker remuneration and Sustainability Disclosure Requirements (SDR). Triodos Bank UK joined a call for an amendment to the Financial Services and Markets Bill (FSMA) that would see the mandatory due diligence obligation to prevent the financing of illegal deforestation extended to apply to the financial sector.

We collaborated on national campaigns that engaged industry, the public and politicians with the role that finance plays in the climate and nature crises - such as 'Save our Wild Isles' with the World Wide Fund for Nature (WWF), National Trust and RSPB and the 'Queue for Climate and Nature' campaign with Business Declares. In November ahead of COP28, Triodos Bank became the first bank globally to join the campaign calling for a treaty to phase out fossil fuels and asking governments across Europe to commit to a Fossil Fuel Non-Proliferation Treaty.

Within the broader context of the Triodos Bank capital strategy, restoring tradability of the Depository Receipts ('DRs') on a Multilateral Trading Facility (MTF) marked an important milestone for DR holders and Triodos Bank. The initial trading round commenced in July 2023, marking the official moment of listing of DRs on the MTF. DR holders registered in the UK are only able to place sell orders and not able to buy. The listing ended a period from March 2020 when DR holders had mostly been unable to trade their DRs.

Whilst we restored tradability successfully, Triodos Bank have acknowledged that many DR Holders are not yet satisfied with the liquidity and price development of the DRs on the MTF. Triodos Bank will continue to support adequate trading liquidity and fair price development as far as possible within the boundaries of applicable rules and regulations.

Another key strategic project for Triodos Bank was the roll-out and implementation of the Triodos Operating Model redesign. The integration of the operating model to use all resources as consciously as possible and to leverage the talent of all Triodos Bank's co-workers is proceeding on schedule, with the goal of the entire banking group being in the new structure in 2024. Further information can be found in the Integrated Annual Report.

At the end of 2023 Triodos Bank UK launched the Springboard Programme, which will continue during 2024 and into 2025. Five years on from the bank becoming a subsidiary, this strategic initiative will review our ways of working to ensure that the Bank remains compliant and in-control but does so in an adaptive, robust and cost-effective way. Building on the Triodos Operating Model, the aim is for the work to act as a springboard for delivering future impact.

Key performance indicators

The key metrics used by the Board and senior management to measure performance are shown below, along with their comparative values at and for the year ended 31 December 2022 and 31 December 2021:

Key performance indicator	2023	2022	2021
Loans and advances to customers	£1,111 million	£1,121 million	£1,132 million
Customer account balances	£1,664 million	£1,642 million	£1,608 million
Common equity tier 1 ratio	22.4%	21.6%	21.2%
Total capital ratio	23.0%	22.2%	21.8%
Leverage ratio	11.6%	11.7%	9.3%
Liquidity coverage ratio	421%	443%	414%
Operating expenses / total income	74.3%	68.5%	72.8%
Return on equity	1.4%	4.8%	4.3%
Number of co-workers[1]	317	278	231

[1] Aligned with average co-workers disclosed in note 5 of the Notes to the financial statements

Development and performance of the business during the year

During the year Triodos Bank UK made a profit after tax of £2.8 million, which equates to a return on equity of 1.4%. This compares to profit after tax for 2022 of £9.2 million (4.8% return on equity). The key events in the year and the primary drivers of the financial performance are described in more detail below.

Loans and advances to customers
Gross new lending in the year totalled £106 million (2022: £131 million). Total loans and advances to customers contracted 1% in the year; from £1,121 million to £1,111 million which is as a result of the current extraordinary economic environment where we have seen rapid consecutive interest rate rises, high inflation, cost of living pressures, global conflicts and the impacts of climate change impacting the UK economy.

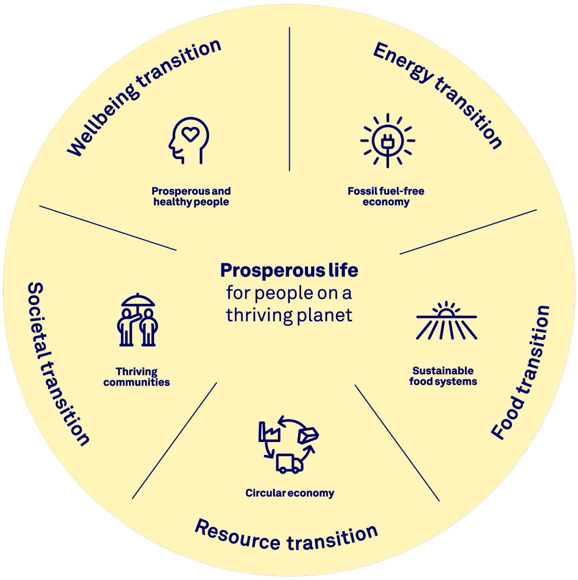
The ongoing economic uncertainty has made borrowing less attractive and origination activity more difficult. This is then coupled with the partial write off of two large one-off default cases during the year which caused the overall loan portfolio to contract from 2022 to 2023.

However, our gross new lending during the year was £106 million which is an important indicator of the contribution Triodos Bank UK makes towards a more sustainable economy. All loans and investments made are designed to improve social and environmental sustainability and quality of life at a community level; thereby contributing to delivering Triodos Bank UK's mission.

To make sure that Triodos Bank UK only finances sustainable enterprises, potential borrowers are first assessed on the added value they create, ensuring selected projects meet our positive screening criteria and are above our minimum standards. The risk and return of a prospective loan are then assessed, and a decision made about whether it is a responsible banking option.

Impact themes
Our approach to impact management is centred on our mission and is based on our impact management cycle. This starts with establishing a clear vision of the impact Triodos Bank wants to make as a financial institution. A strategy has been developed on how to implement this vision from a business perspective. In line with the strategy, we design our activities and products, monitor results and analyse challenges and successes. We evaluate regularly and adapt our strategy and activities based on these findings. This approach applies to our business propositions and product development, as well as to our advocacy activities to improve the whole financial system.

Triodos Bank has identified five interlinked transition themes to reach positive transformation in energy, food, resources, society and wellbeing. Our mission as a financial institution is to enable and accelerate these vital transitions. Internally, Triodos Bank has developed a comprehensive impact strategy so that we share the same vision for the future and maintain sustainability at the centre of our activities.



Fossil fuel-free economy – Energy transition (21% of lending by value; 2022: 22%)
The Energy Transition theme includes renewable energy projects – such as wind and solar power, hydroelectric, heat and cold storage – and energy-saving and storage projects. It also includes environmental technology projects, for instance through recycling companies and optical fibre projects.

Sustainable food systems – Food transition (3% of lending value; 2022: 4%)
The Food Transition theme includes agriculture that is organic or in conversion to organic and includes projects across the entire agricultural value chain in Europe and emerging markets – from farms, processors, wholesale companies and sustainable trade to natural-food shops. We choose to finance organics because it avoids the use of pesticides and chemical fertilisers, has high animal welfare standards and helps revitalise the earth.

Circular economy – Resource transition (6% of lending by value; 2022: 4%)
The Resources Transition theme includes the sustainable property sector where we finance new buildings and renovation projects to reach high sustainability standards, the nature development and forestry sector which is important to remove greenhouse gases from the atmosphere, and the retail, production and professional services sectors that contribute to reduced resource waste or stimulate circular production and consumption and circularity-related services.

Thriving communities – Societal transition (35% of lending by value, 2022: 34%)
The Societal Transition theme contains loans and funds' investments to businesses and (non-profit) organisations with clear social objectives, such as social housing, community and social-inclusion projects. It also covers the inclusive finance and fair-trade businesses sector and municipality loans without a specific sector classification.

Prosperous and healthy people – Well-being transition (35% of lending by value, 2022: 36%)
The Wellbeing Transition theme covers loans and investments to organisations working in education, childcare, retreat centres, religious groups, recreation, cultural centres and organisations, and artists. It also covers the health and elderly care sector.

Customer accounts
Overall customer numbers in the UK grew by 2% to 89,444 from 87,896 as at 31 December 2022.

Customer accounts include current accounts and variable and fixed term savings accounts for individuals or businesses, the majority of which are small or medium sized. Triodos Bank UK's customer account balances grew 1% in the year from £1,642 million to £1,664 million.

Net interest income
Net interest income for the period was £53.6 million (2022: £45.4 million). The 18% increase was driven by Triodos Bank UK's response to the Bank of England Base Rate (BBR) rises where rates earned on loans and liquidity balances were increased, offset by the increase on rates charged on funds entrusted balances.

From the point of the first BBR rise from 0.1% in December 2021 to the August 2023 BBR rise to 5.25% Triodos Bank UK adjusted the non-contractual deposit rates payable to pass through on average 59% of the BBR rises to all of our customers across all of our interest-bearing deposit products. Our rates for savers reflect a broad range of factors including the proportion of our lending linked to BBR and future rate outlook.

Net fee and commission income
Net fee and commission income for the year totalled £2.1 million (2022: £2.4 million). This is derived from lending, payment transactions, corporate finance, and investment management activities.

Operating expenses
Total operating expenses for the year were £41.4 million (2022: £32.8 million), of which £19.2 million (2022: £15.5 million) were co-worker costs (excluding intercompany recharges for Triodos Bank UK co-workers seconded to Triodos Bank) which increased year over year due to a combination of headcount increases, increases in salaries and other benefits to support co-workers through the cost-of-living crisis as well as the commencement of change initiatives such as the internal 'Springboard' programme, which is covered further within the Future Developments section.

In 2023, £14.5 million (2022: £10.7 million[1]) were intercompany recharges from Triodos Bank. These recharges cover the costs of general overheads and IT services and development on new enhanced systems, product functionality and digitisation of the operating model.

Triodos Bank UK's cost-to-income ratio is above the Bank's target of 70% where inflationary pressures and additional intercompany costs from Triodos Bank related to the Triodos Operating Model (TOM) project caused an increase in intercompany costs in the year but will reduce costs in the longer term as we improve the way we work as One Bank and increase operational effectiveness. The cost-to-income ratio for the year was 74.3% versus 68.5% for the same period in the previous year.

Impairments
For the year ended 31 December 2023, impairment charges for financial assets and off-balance sheet liabilities of £11.4 million were recognised under the expected credit loss (ECL) method required by International Financial Reporting Standard 9 (IFRS 9) compared to £4.9 million in 2022.

Whilst we are seeing a deterioration in the credit quality of the loan book due to the current economic environment, the large impairment charge seen in the year is driven by two large one-off default cases and not a large number of loans where a portion of these loans were written off in the year. We have assessed the remainder of the portfolio in light of the impairments arising from these two loans and have determined that the portfolio remains well collateralised.

The ECL provision as at 31 December 2023 on loans was £9.7m versus £10.5m as at 31 December 2022, where the reduction is driven by the partial write off of the large one-off default cases noted above. Total ECL provisions including ECLs for off balance sheet commitments, bonds and liquidity was £9.8m compared £10.7m in 2022.

Tax
Triodos Bank UK's tax charge for the year was £0.1m (2022: £1.0m) which translates into an effective tax rate of 4.3% (2022: 9.8%). The reduction in effective tax rate is lower than would be implied by the current headline tax rate due to lending that qualifies for Community Investment Tax Relief (CITR).

CITR is a financial incentive designed to encourage investment in disadvantaged communities. This initiative provides tax relief when investing in Community Development Finance Institutions (CDFIs).

The impact of CITR on developing communities is substantial, as is it stimulates economic growth, creates job opportunities, and enhances the overall wellbeing of residents. By providing tax incentives, CITR attracts much needed capital to areas facing economic challenges, fostering sustainable development and addressing social inequalities all

[1] Prior year figure has been restated to include Value Added Tax (VAT) paid on intercompany charges

of which contribute to Triodos Bank UK's mission mainly across the societal and wellbeing impact themes. This not only aids in revitalising local economies but also strengthens social cohesion, empowering communities to thrive in the long run.

Triodos Bank UK's effective tax rate excluding CITR was 27.2% (2022: 18.4%) where the increase was driven by the increase in the rate of corporation tax from 19% to 25% from 1 April 2023 and is higher than the 2023 time-weighted tax rate of 23.5% due to tax adjustments in respect of prior years.

Profitability
Triodos Bank UK's Return on Equity for 2023 was 1.4% (2022: 4.8%) where the year over year reduction in RoE was driven by the impairment charges on defaulted loans classified as stage 3 where a portion of loans were written off within the year.

Capital
Triodos Bank UK's regulatory capital consists of Common Equity Tier 1 (CET1) capital, which includes ordinary share capital, retained earnings and reserves after adjustment for intangible assets; and Tier 2 Bonds issued in December 2020. All ordinary share capital is held by Triodos Bank N.V.

Triodos Bank UK's policy is to maintain a sound capital base to provide an adequate buffer in a severe stress scenario and thereby to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on the shareholder's returns is also recognised and Triodos Bank UK maintains a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a stronger capital position.

Triodos Bank UK's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources. Triodos Bank UK had a Total Capital Ratio (TCR) requirement from the regulator of 16.3% at the end of the period.

Triodos Bank UK manages its activities to comply with all externally imposed capital requirements and ended the year with a CET1 ratio of 22.4% (2022: 21.6%) and a total capital ratio of 23.0% (2022: 22.2%).

Liquidity
Triodos Bank UK's lending is funded entirely by customer deposits, equity, and the Tier 2 eligible bonds, resulting in a strong liquidity position. At year end, and at all times throughout the year, Triodos Bank UK was significantly in excess of all liquidity targets and requirements; its Liquidity Coverage Ratio (LCR) at year end was 421% (2022: 443%).

See Note 26 for more information.

Outlook
Triodos Bank UK expects to continue to grow its lending, customer accounts and other income streams with customers that are aligned to the Triodos Bank mission. Careful investment will enable Triodos Bank UK to grow its income streams, alongside careful management of its cost base as well as credit risk management resulting in improved profitability. The detail of future strategic initatives are covered in further detail within the future developments section further below.

Customers & Consumer Duty

The FCA's Consumer Duty is a major UK regulatory initiative that aims to fundamentally improve how firms serve consumers, where new rules entered the FCA Handbook on 31 July 2023. It set higher and clearer standards of consumer protection across the financial services sector and requires firms to put their customers' financial objectives and outcomes first, and at the heart of everything that happens within a firm from product design through to interaction with customers. It is a major regulatory cross-sector initiative that gives consumers a higher level of protection.

The Duty introduced a new overarching principle for businesses that requires firms to act to deliver good outcomes for retail customers, and a set of cross-cutting rules, and four key outcome areas, which provide greater clarity on FCA expectations under the new principle.

Triodos Bank UK has delivered key elements of the infrastructure required and is focused on both embedding these and moving forward the culture around customer outcomes, as well as automating and consolidating the data required to monitor the ongoing delivery of good outcomes.

The Bank has thoroughly reviewed all existing products to ensure transparency, fair pricing and clear communication of terms and we have identified some areas of improvement where enhancements will be made throughout 2024. Closed products and services are also under review as required under the new rules, to be completed by 31 July 2024, along with plans for any remedial activity required.

There were 1,205 (2022: 1,033) customer complaints logged in the year, an increase of 16% on 2022, some of which related to specific change initiatives including the initial migration of customers to our more secure mobile onboarding approach, and specific project activity such as restoring tradability of DRs on the MTF. Of these, 45% (2022: 39%) of complaints were upheld. 47% of the complaints are associated with payments, in line with previous years and includes debit card, faster payments and international payments.

In terms of complaints handling, 42% of complaints were resolved within 3 working days. Consistent complaint themes analysed relate to debit card declines, delayed or held faster payments, and the mobile onboarding and identification process in line with the transition to a digital operating model. 15 complaints were received regarding DRs firstly related to the inability to trade and then the administrative process of registering with our new MTF provider.

Complaints reporting and root cause activity have undergone a review to embed the Consumer Duty Principles, with enhanced monthly root cause analysis undertaken and activity to address and mitigate causes. The Consumer Duty mapping activity had also identified potential consumer harm and is used in conjunction with insights from complaints activity to prioritise developments to mitigate potential harm and improve the customer journey.

The volume of complaints in relation to product volumes are aligned to our risk tolerances and are monitored as part of implemented conduct risk Key Risk Indicators (KRIs). These KRIs have also been reviewed and implemented in response to the new Consumer Duty regulations.

Actions to support and mitigate identified issues have been undertaken, with supporting quality assurance activity to ensure fair and prompt customer outcomes. Complaints are reviewed via a separate monthly root cause forum, a monthly complaints forum and a quarterly customer forum with relevant issues identified for escalation.

In 2023, 16 (2022: 26) complaints were referred to the Financial Ombudsman Service (FOS), a decrease of 38% compared to 2022, of which one of the cases resulted in having the decision overturned which was for an Authorised Push Payment (APP) fraud case. Following this decision an internal investigation into similar cases was undertaken resulting in 2 customers being proactively contacted to reverse the Bank's original decision and reimburse the customer plus interest. This 6% (2022: 4%) FOS overturn rate is significantly lower than industry averages and provides evidence of Triodos Bank UK's approach to delivering good outcomes for its customers.

Co-workers

The Bank's mission has human dignity and quality of life central to all that we do, and this is integral to how we support our co-workers to achieve success. Our people strategy is designed to support our mission, by creating an environment in which our diverse and inclusive community of co-workers can thrive as healthy and resilient people, delivering sustainable high performance to enable the conscious use of money.

During 2023 we have undertaken a redesign of our operating model across Triodos Bank with the aim of improving ways of working as One Bank and increasing operational effectiveness. This programme will continue into 2024. We have seen significant co-worker development this year evidenced by 40% of vacancies being recruited internally in 2023.

We have continued to embrace flexible and hybrid working, balancing business need with individual preference to enable all co-workers to maintain their wellbeing and be their best at work. In addition to launching a new package of co-worker benefits this year, we also updated our family friendly policy which will take effect in January 2024 and further contribute to co-worker wellbeing. The update includes increased pay across all types of leave (maternity, adoption, shared parental and paternity), with paternity leave being re-named as partner's leave, for greater inclusion. We have also provided for additional support to co-workers at key moments in their lives such as fertility treatment or miscarriage.

Average number of co-workers during the period was 317 (2022: 278), with voluntary attrition at 11.9%. Overall, the gender ratio is 47.8% male, 52.2% female. At senior management level, which includes the Board of Directors and the Senior Management Team (SMT), the gender ratio is 53% male, 47% female. Board diversity is covered within the Directors' Report below.

Equity, Diversity and Inclusion (EDI) is a core part of our mission and we have continued to work towards creating a co-worker population representative of the customers and communities we serve, as well as building an inclusive community where co-workers feel they belong. Triodos Bank UK benchmarks itself against local (Bristol) data, aiming to attract and recruit individuals from under-represented sectors of the communities in which we operate. In 2023 25%[1] of job offers were made to candidates from ethnically under-represented groups which is a higher level of minority ethnic representation than exists in Bristol (19%) where the UK Head Office is located. To support Triodos Bank UK in its efforts to be an inclusive employer, we signed a partnership with the social enterprise Babbasa, whose primary aim is to provide employability opportunities for Bristol's youth. A highlight for the year was the training provided by Babbasa in intercultural communications for all co-workers. Further details about our EDI agenda are set out under Equity Diversity and Inclusion in the Principal Risks & Uncertainties section below.

Triodos Bank UK measures and monitors its gender pay gap. Although we had previously published our results voluntarily, 2023 was the first year we were legally obliged to do so because our number of employees exceeded 250. Our 2022 data, published in March 2023, showed a reduction in both our mean and median pay gaps. Our mean pay gap was 16.9% in 2022, down from 21.8% in 2021 and our median pay gap was down from 24.7% in 2021 to 22.5% in 2022. Our gender pay gap remains primarily driven by an uneven distribution of men and women across our salary scales. Gender distribution improved in our upper pay quartile through internal progression of female co-workers, with 56% of promotions in 2022 being awarded to female co-workers. However, there is still a higher proportion of men in the upper and upper middle pay quartiles with more women in the lower pay quartile. Triodos Bank UK's 2023 gender pay gap report will be published in early 2024.

Triodos Bank UK ultimately aspires to achieve a 0% pay-gap and we continue to work on the road map which was developed in 2021 to identify some key areas of focus. These include exploration of job shares for more senior roles, career development support for mid-level female co-workers and manager training on inclusive hiring practices.

Pay ratios (highest to median salaries) for Triodos Bank UK are published as part of the Triodos Bank Integrated Annual Report and in line with an International Remuneration Policy where the 2023 pay ratio (highest to median salary) for Triodos Bank UK was 5.1. Triodos Bank does not pay individual bonuses as we do not consider financial incentives an appropriate way to motivate and reward co-workers in a values-based bank.

In 2023 we continued our signatory status with the Women in Finance and Bristol Women in Business Charters and continued our membership of Women in Banking & Finance (WIBF); actively encouraging our female co-workers to take advantage of the support and development opportunities provided by WIBF. We are pleased to have maintained our targets for female representation at Senior levels.

[1] 28.9% if "prefer not to say" responses are excluded

With the support of the Triodos Bank Inclusion Forum, we have been able to continue to give focus to key areas of inclusion: Black History Month, mental health awareness, menopause awareness, and neurodiversity.

We have continued to embed our internship programme and introduced apprenticeships which support our social mobility agenda. Triodos Bank UK's EDI strategy will continue to evolve in 2024 in line with our mission and values, as well as UK regulatory expectations. A key focus will be on data collection in order to enable us to set targets and track our progress.

Climate change

Non-Financial and Sustainability Information Statement

Triodos Bank sets out the specifics of its climate change ambitions in Triodos Bank's Integrated Annual Report. To outline how this is applied at Triodos Bank UK, we have expanded further in this section. Additionally, Triodos Bank UK is addressing the regulatory requirements from the PRA SS3/19 and has chosen to report annual progress in line with the four pillars of the Task Force on Climate-Related Financial Disclosures (TCFD):

- Governance
- Strategy
- Risk Management
- Metrics and Targets

For future reporting, we are assessing the potential impact of the new sustainability accounting standards issued by the International Sustainability Standards Board (ISSB) and Transition Plan Taskforce (TPT) in line with the decisions that are expected to be made by the UK Government in July 2024.

TCFD Summary

Below is a summary of our progress and achievements in 2023 and our future plans to close identified gaps:

TCFD Objectives	Progress	Future Plans
Governance - Disclose the Organisation's governance around climate-related risks and opportunities.		
a) Describe the Board's oversight of climate-related risks and opportunities.	• Set up Financial Risks from Climate Change (FRCC) Steering Committee to manage project embedding new reporting, processes and procedures. • Completed training session facilitated by third party to enhance Board’s understanding of regulatory requirements.	• FRCC Steering Committee responsibilities will pass to appropriate Exco and be incorporated into their charters and terms of reference. • Risk appetite limits to be reported quarterly to both Monthly Credit Committee and Board.

TCFD Objectives	Progress	Future Plans
b) Describe management's role in assessing and managing climate-related risks and opportunities.	• Developed and presented Risk Appetite Limits to Board. Have used third party data to populate the initial view and identify potential risks in reporting. • Identified additional responsibilities to be incorporated into management team's roles.	• Developing training to be rolled out to the wider organisation. • Incorporating/transferring additional responsibilities into wider Management Team's remits. • Roll out of regular reporting on Business Loan Portfolio Risk, initially incorporating third party data to be validated by customer conversations.
Strategy - Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	• Strategy focuses on three key pillars of investing in renewable energy, real emission reduction of our portfolio and investing in nature. • Identified list of possible physical and transition risks and opportunities applicable to our business lending portfolio using frequency/impact matrix. • Active member of external organisations that advocate and are involved in the design of climate related policy and best practice.	• Enhance understanding of climate related risks and their impact on Triodos Bank UK's loan portfolio. • Enhance portfolio data collation and analysis to better report and steer on climate related risk. • Questionnaire with customers to promote engagement strategy.
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	• Have identified data that will be used to inform analysis of impact on climate-related risks and opportunities. • Have completed first run of Scenario Analysis Model which will inform this analysis.	• Integrate the results of Triodos Bank Stress Testing into the UK Inputs for the ECL Model.
c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	• Developed Scenario Analysis Model incorporating key physical risk (flooding) prioritised by business. • Have identified that additional resources are needed to build out this work and validate approach.	• Enhance Scenario Analysis Model to incorporate additional material physical and transition risks. • Validate/Review approach used in building model and identify gaps in data. Continue to build internal resources' capability.

TCFD Objectives	Progress	Future Plans
Risk Management - Disclose how the organisation identifies, assesses and manages climate-related risk.		
a) Describe the organisation's processes for identifying and assessing climate-related risks.	• Classified climate risk as a 'cross-cutting risk[1]' and it is being embedded in the overall risk management framework. • Developed initial Scenario Analysis Model based on identification of risks to business. • Developed and piloted customer questionnaire. • Partnered with a third party data provider for flood data on customer collateral. • Modelled emissions data using Partnership for Carbon Accounting Financials (PCAF) methodology.	• Enhance understanding of physical and transition risk through use of additional third-party data on customers and validation from customer questionnaire responses. • Enhance Scenario Analysis Model based on improved data and additional review and analysis.
b) Describe the organisation's processes for managing climate-related risks.	• Designed Risk Appetite Statement which will be used for reporting on climate-related risks to board and management. • Embedded climate-related risk into overall risk management framework. • Quantified the size of the loan portfolio exposed to risk and estimated its emissions.	• Roll out reporting on Risk Appetite Statement. • Embed climate-related risk into the next level of the Risk Management Framework (credit, market and liquidity risk). • Complete incorporation of climate considerations in Management Team's responsibilities/roles and potentially expand into other committees.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• Designed early climate related risks data reporting for Credit Committee Review.	• Roll out training to Business Banking Relationship Managers on climate risk. • Roll out of customer questionnaire initially focused on highest risk but will later become part of regular customer review processes.
Metrics and Targets - Disclose the metrics and targets used to assess and manage relevant cliamte-related risks and opportunities where such information is material.		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities where such information is material.	• Designed metrics to track key physical and transition risks which will be implemented in 2024. Will also track data collection in relation to customer questionnaire completion and quality.	• Build out third party data, test customer understanding and validate findings. • Continue to develop and enhance metrics used to measure portfolio risk.

TCFD Objectives	Progress	Future Plans
b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 Greenhouse Gas (GHG) emissions and related risks.	• Have provided reporting of Business Loan portfolio emissions using PCAF methodology. • Continued to monitor emissions from own operations through quarterly reporting. • Have reduced own emissions through switch to LED lighting and implementation of digital monitors on water consumption system. • Co-worker survey to collect data on home working/commuting to allow for reporting.	• Validate emissions data provided by customers in comparison to PCAF calculations. Collaborate with customers on how to mitigate emissions. • Enhance data on suppliers and how Scope 3 information is collected and calculated. • Integrate PCAF Calculations into the Scenario Analysis model.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• Continued to enhance analysis at branch/subsidiary level of portfolio emissions using PCAF methodology and publishing data confidence. • Continued to reduce operational emissions as part of meeting our commitment to be net zero by 2035 if not sooner.	• Scope out actions at UK level to meet the Triodos Bank net zero target. • Identify actions that will contribute to reducing operational emissions and incorporate into business plans. • Set annual targets for Triodos Bank UK in reducing its operational emissions.

[1] Cross-cutting risk is embedded within other primary risks and is not a standalone risk within our Risk Management Framework

The gaps that have been identified that are intended to be closed and addressed in 2024 are:
- Embedding the monitoring of climate related risk into reporting to Board and executive management committees
- Embedding climate related risk into the responsibilities and roles of the Senior Management Team based on recommendations produced in 2023 and outlined in the Governance section.
- Integrating climate related risk into business planning and budgets.
- Embedding climate related risk into the next level of the Risk Management Framework which encompasses credit, liquidity and market risk
- Identifying and agreeing time horizons for analysis of climate related risks and opportunities in line with business and strategy planning.

Governance

In 2023 Triodos Bank UK set up the FRCC Steering Committee to incorporate the TCFD and PRA requirements into day-to-day operations and report up to the Board of Directors. A governance chart can be seen within the Risk governance section of the Risk overview below.

The Senior Management Function is fulfilled by the CEO with overall responsibility for the FRCC project. Throughout 2023, the Steering Committee has overseen delivery from a cross-functional project team encompassing representatives from Risk Management, IT, Operations, Finance and Business Banking.

Commitee/ Teams	Members	Roles and Responsibilities	Activities/Area of Focus in 2023	Number of Meetings[1]
Triodos Bank UK Board of Directors	Directors including CEO & CRO	Accountable for ensuring that Triodos Bank UK meets its regulatory obligations from the PRA in relation to climate change but also oversees overall strategy which incorporates its own ethical standards/values.	• Monitor progress of FRCC Steering Committee in embedding risks into Risk Management Framework, developing Risk Appetite and building reporting. • Participated in training session run by a third party, including peer comparisons and key opportunities for future development.	3
FRCC Steering Committee	Workstream Leads plus CEO, CFO & CRO	• Monitors and provides oversight and guidance to Project Team. • Ensures that deliverables meet SS3/19 requirements and subsequent PRA communications plus align to industry 'best practice'. • Provides oversight of climate related risks and opportunities prior to transfer into "business as usual" governance structures.	• Completed risk appetite statement with proposed climate change metrics to monitor/report risk. • Define responsibility for identifying, assessing and managing climate change risk to be embedded into board/management structures/roles.	9

[1] Number of meetings where climate change was a substantive agenda item

In 2024, we propose the following changes to enhance governance. Accountability will remain with the Board of Directors but will be discharged via the Board Risk Committee which will oversee identification, measurement, and management of climate related risks. From the Board Risk Committee, accountability will cascade to the management committee structure with their own reporting packs, terms of reference and standing agendas updated and they will take on the role and responsibilities set out in the next table.

Committee/ Teams	Chairs	Roles and Responsibilities
Credit Committee	Head of Credit Risk	Manage climate change risks identified in the Business Banking Loan portfolio by: • monitoring performance within agreed risk appetite limits • ensuring compliance with these specific policies and procedures • ensuring exposure to these risks is reflected in new lending and renewal decisions • monitoring mitigating actions agreed with customers • overseeing production of MI that delivers insight into Bank's exposure

Committee/ Teams	Chairs	Roles and Responsibilities
Operational Risk Committee	Chief Operating Officer	Manage climate change risks identified in the value chain from suppliers by: • monitoring performance within agreed risk appetite limits • ensuring compliance with these specific policies and procedures • ensuring supplier on-boarding/renewal decisions are in line with these policies • monitoring mitigating actions agreed with suppliers • overseeing production of MI that delivers insight into Bank's exposure
Assets and Liabilities Committee	Chief Financial Officer	Ensure understanding of Bank's exposure to climate related risks is incorporated in capital, liquidity and market risks by: • validating and refining Scenario Analysis modelling for physical and transition risks • ensuring that Scenario Analysis outputs are adequately reflected in these • ensuring compliance with regulatory requirements such as TCFD and International Sustainability Accounting Standards.

In addition, it is proposed that responsibilities will be specifically assigned to key management team members as part of the integration process.

Building on their roles as Chairs of the Management Committees identified above, other responsibilities will include:

Chief Financial Officer (CFO)
- Ensure that climate change is appropriately considered in the firm’s stress testing scenario analysis that supports, amongst other assessments, the firms’ ICAAP and ILAAP and;
- Oversee production of disclosures in the annual report and interim results to provide an accurate reflection of the maturity of the firms’ management of financial risks from climate change, and;
- Ensure compliance with regulatory requirements and Accounting Standards relevant to Climate Risk.

Chief Risk Officer (CRO)
- Ensure that climate change is embedded appropriately into the Bank’s Risk Management Framework, including within Credit Risk and manage review/maintenance.
- Provide second line review and oversight of business banking/loan portfolio risk management and vendor management and also of Finance department for ICAAP, ILAAP, disclosure production and other key deliverables.
- Manage credit risk function which is jointly responsible with business banking for developing/ maintaining/refreshing processes for new loans and renewals.

Chief Operating Officer (COO)
- Ensure that climate change is embedded appropriately into vendor management policy and manages review/maintenance.
- Ensure quality assurance is completed on data received from customers, suppliers and third-party data suppliers.

Director of Business Banking
- Responsible with credit risk for developing/maintaining/refreshing processes for new loans and renewals.
- Responsible for reporting on loan portfolio and quality assurance of customer data.

With the inclusion of climate change metrics in the Risk Appetite Statements, reporting against these will commence in 2024 using third party data and PCAF emissions initially and further validation will be provided following conversations with customers. These reports will go to the Credit Committee and on a quarterly basis to the CRO and then onto the Board Risk Committee. On a monthly basis, they will be distributed to the Executive Risk Committee.

Strategy

The climate on our planet is rapidly changing and the devastating effects are felt more every day. 2023 was marked by record temperatures, wildfires, heatwaves, floods and other extreme weather events at a higher rate and intensity. Humanity now risks setting in motion tipping points of which some already can pass between 1.5 and 2 °C. Current plans from government are insufficient, the world is currently heading for a 2.5 - 2.9 °C scenario. The outcome of COP28 to the United Nations Framework Convention on Climate Change also fell short on turning the tide as there was no firm agreement on phasing out the use of fossil fuels and recent analyst projections indicate that the United Kingdom looks set to miss both its 'Net Zero by 2050' target and its decarbonisation commitments for 2030.

This means the role of citizens, financial institutions and other businesses is increasingly important. Decisive climate action is needed to reduce global greenhouse gas emissions (GHG). Triodos Bank stands behind the Paris Agreement target and the Glasgow Climate Pact on limiting global temperature rise to 1.5 °C degrees above pre-industrial levels and supports the sustainable and inclusive transition of our economies and society.

The main contributor to the global climate crisis is the burning of fossil fuels and therefore we deem it essential that the production and use of fossil fuels is phased out. That is why Triodos Bank does not finance fossil fuel industries. This makes our current carbon footprint relatively low compared to the average in the financial sector. Triodos Bank is striving for a fossil free economy. This means we need to work closely together with our clients, investees, co-workers and other stakeholders to reduce emissions throughout the supply chain.

Our ambition is that the greenhouse gas emissions of all Triodos Bank's operations, loans and investments reach net-zero by 2035, using a Science Based Target initiative (SBTi) approach (see below for more information on metrics and targets). The remaining emissions will be balanced by increasing the proportion of our loan portfolio that supports nature-based solutions, to protect and strengthen natural carbon sinks and remove GHG from the atmosphere. Our 'As One to Zero' target was communicated at COP26 in November 2021. We aim to reach this target by reducing our own emissions and the emissions of the activities we finance. In addition, we actively support innovative changemaker activity within the five transitions required to achieve a net-zero economy. For more information see the Triodos Bank climate action plan.

i. Investing in renewable energy

Triodos Bank UK is committed to contributing towards the decarbonisation of the economy. To achieve this, the Bank has provided significant lending and other services to companies that operate in solar, wind and hydro energy as well as innovative technology companies installing heat networks and Electric Vehicle charging infrastructure. Under our energy transition theme, Triodos Bank UK aims to contribute to transitioning to clean energy sources that reach all corners of society and the economy, and with a focus on ensuring a just transition. Triodos Bank UK takes a proactive stance in seeking out energy solutions in technologies that are relatively new, at times combining different financial instruments to make this possible. Additionally, we take a holistic approach by funding small and medium-sized projects that are often community-based. Such projects are needed to create resilient and balanced energy systems that are accessible and affordable for everyone.

One of our key customers in 2023 was Thrive Renewables, for whom we have delivered crowdfunding capability. The company's portfolio currently comprises 22 operational renewable projects, plus further renewable energy and storage projects in development. Its portfolio generates over 133,000 MWh of electricity (2022), delivering emissions reductions equivalent to 58,314 tCO_2e.

ii. Real emission reduction of our portfolio

The starting point to Triodos Bank UK's holistic approach to the challenges faced is engagement with our customers and our community. For our customers' property-based emissions for example, specific actions that we are taking include signposting and supporting new and existing customers on their transition journey. We request Net Zero transition plans from new customers and require new developments to be of the highest standard (or net zero ready) to limit the necessity to retrofit properties built today that are not fit for purpose. Triodos Bank UK has put together an engagement strategy to work with its customers in validating their emissions, confirming their risk exposure and ascertaining the maturity of their transition plans.

Decarbonisation facilities have also been a part of the Bank's lending portfolio for many years and further product development is underway to support new and existing customer transitions.

iii Investing in nature

Complementing the other two pillars is our investment in nature-focused finance and regenerative agriculture. Although in its infancy it is viewed as a key financing priority for the Bank and an important link in the strategy to mitigate the hard to remove carbon emissions from the Bank's portfolio and more broadly, society. We believe we are leaders in the financial sector in the work we have done to identify and promote innovative nature-based investment models and in having completed several transactions of national significance in this emerging sector.

In 2023, Triodos Bank UK made a landmark loan to Oxygen Conservation of £20.55m which will contribute to scaling up its conservation activity in Scotland through the acquisition of 23,000 acres. This commercial debt package, thought to be the first of its kind in the UK, works by generating future income selling carbon credits through the Peatland and Woodland codes. The intention is to broaden the funding of these types of initiatives.

Memberships and affiliations

Triodos Bank UK is an active member of various external organisations that advocate and are involved in the design of climate related policy and best practice. As it is also part of Triodos Bank, Triodos Bank UK is also a member of wider international initiatives. Though not listed here, we also support the work of various other campaign groups and alliances which are listed on our website.

Organisation	Description
Aldersgate Group	A politically impartial, multi-stakeholder alliance championing a competitive and environmentally sustainable economy. Through targeted political engagement, evidence gathering and policy development, they advocate the business case for decarbonising the UK economy, improving resource efficiency and investing in the natural environment.

Organisation	Description
Bankers for Net Zero (B4NZ)	This project was launched in 2019 to gain input from a wide range of stakeholders in business, finance, political and regulatory communities. Prior to COP26, it launched an ambitious programme of work to develop a set of policy recommendations designed to create a regulatory environment to enable banks to play their part in financing the net-zero transition.
Business Declares	A campaigning organisation established to raise awareness across the business sector of the imperative to accelerate action to address climate change, biodiversity loss and social injustice. It also engages with business leaders who want to add their voice to a resounding, collective call for change.
Climate Coalition	The UK's largest group of people dedicated to action against climate change. It is a group of over 140 organisations - including the National Trust, Women's Institute, Oxfam, and RSPB - and 22 million voices strong.
Green Alliance	An independent think tank and charity focused on ambitious leadership for the environment. It works with leaders in business, NGOs and politics to accelerate political action and create transformative policy for a green and prosperous UK. Triodos Bank UK is a member of the Green Alliance Business Circle.
Make My Money Matter	The people-powered campaign fighting for transparency, and a financial system that supports people and the planet in place of harmful industries such as fossil fuels. Triodos Bank UK is a supporter and founding pledge partner.
Regen	A not-for-profit centre of energy expertise and market insight whose mission is to transform the world's energy systems for a zero-carbon future. Regen offers independent expert advice and market insight on all aspects of sustainable energy delivery.
Scottish Renewables	The voice of Scotland's renewable energy industry. Scottish Renewables works to grow Scotland's renewable energy sector and sustain its position at the forefront of the global clean energy industry.
UK Finance	A collective voice for the banking and finance industry that represents 250 firms across the industry. Triodos Bank UK sit on the Sustainability Committee, reflecting a strategic priority for UK Finance, spanning its work with member firms on climate risk, green finance and broader ESG initiatives.

Triodos Bank memberships

In addition to its own market commitments, Triodos Bank UK is also able to be involved with international organisations by being a subsidiary of Triodos Bank.

Organisation	Description
Global Alliance for Banking on Values	Triodos Bank is a founding member of the Global Alliance for Banking on Values (GABV) which was established in 2009, a network of banking leaders from around the world committed to advancing positive change in the banking sector. Their collective goal is to change the banking system so that it is more transparent, supports economic, social and environmental sustainability, and is composed of a diverse range of banking institutions serving the real economy.

Organisation	Description
Partnership for Carbon Accounting Financials (PCAF)	In 2015 eleven Dutch financial institutions joined forces to improve carbon accounting through PCAF. It is now a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.
UN Principles for Responsible Banking (PRB)	Triodos Bank was a founding signatory in 2019, developed by the United Nations Environment Programme Finance Initiative (UNEP FI). They work with more than 350 members – banks, insurers, and investors – and over 100 supporting institutions – to help create a financial sector that serves people and planet while delivering positive impacts. The aim is to inspire, inform and enable financial institutions to improve people's quality of life without compromising that of future generations.
B Corp	Triodos Bank was the first pan-European bank to be certified as a B Corp. B Corporations are a new kind of business that balance purpose and profit. They are legally required to consider the impact of their decisions on their workers, customers, suppliers, community, and the environment.
Net Zero Bankers Alliance (NZBA)	The climate accelerator for UNEP FI's Principles for Responsible Banking (PRB) and the sector-specific alliance for banks under the Glasgow Financial Alliance for Net Zero (GFANZ). It is an industry-led and UN-convened, group of global banks committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050.
Fossil Fuel Non-Proliferation Treaty Initiative	In 2023 Triodos Bank became the first bank globally to support this global effort to foster international cooperation to accelerate a transition to clean energy for everyone, end the expansion of coal, oil and gas, and equitably phase out existing production in keeping with what science shows is needed to address the climate crisis.
Partnership for Biodiversity Accounting Financials (PBAF)	PBAF was established in 2019 by founding partners ASN Bank (part of de Volksbank), ACTIAM, FMO, Robeco, Triodos Bank and Triple Jump. The foundation's objective is to contribute to a harmonised approach to assessing and measuring biodiversity impact by the financial sector through knowledge exchange and the development of the 'PBAF Standard'.

Climate related risks
Climate change and environmental degradation are sources of structural change that affect quality of life and economic activity as well as the financial system. Climate-related and environmental factors can be divided into two distinct categories:

- Physical: The physical environmental factors refer to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate and of environmental degradation (e.g. pollution, biodiversity loss and deforestation). The physical driver is categorised as 'acute' when it arises from extreme events (e.g. droughts, floods and storms) or 'chronic' when it arises from progressive shifts (e.g. sea-level rises and resource scarcity).
- Transitional: The transitional factors refer to the possible financial impact that may result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy (e.g. due to a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences).

Triodos Bank employs strict criteria to ensure the sustainability of products and services. It employs both positive criteria, to ensure it is actively making a positive contribution to society, and negative criteria for the exclusion of potentially harmful activities. The negative criteria exclude loans and investments in sectors or activities that are damaging to society and the environment. These criteria have been in place throughout the bank's history, are reviewed annually and ensured we have never loaned money to sectors widely recognised as having significant transition risk such as fossil fuels, automotive, aviation and mining. The positive criteria identify businesses that operate in line with the bank's mission and encourage their contributions to a sustainable society.

To assess its risks, Triodos Bank UK holds annual workshops attended by Subject Matter Experts (SMEs) to identify risks to its loan portfolio and its own operations. Below is a sample of the output for our lending portfolio:

Climate risk factor	Key driver	Materiality description	Relevance
Physical	Flood	Flood damage would render customers unable to conduct standard operations and/or present a high credit risk.	High
	Sea Level Rise	Chronic effects of sea level rise pose significant credit risk to static developments in the renewables and agriculture sectors.	Medium
	Heatwave	Dangerous heat conditions pose a legal risk to our healthcare customers with a public facing duty of care.	Medium
	Drought	Periods of no or low rainfall present significant risk to the credit of Triodos Bank UK agricultural portfolio, as UK temperatures continue to rise.	Medium
Transition	Regulatory Pressure	Housing Associations potentially need to make significant investments to meet the regulatory requirements regarding EPC (C grade) by 2030.	High
	Lack of Climate Expertise	Triodos Bank UK has had a long involvement in the sustainability and green finance areas but climate science and understanding of climate related risks keep changing.	Medium
	Supply Network Constraints	Remote or rural customers have been identified as high risk, due to the supply chains that they are reliant on.	Medium
	Technology and Data	Regular innovation within the green sector presents both opportunities and risks to Triodos Bank UK investments. To account for this dynamic area, we assess customer processes as they continue to evolve.	Medium
	Shifting Customer Sentiments	Customers could see consumer attitude shifts where their propositions are no longer attractive to their existing markets. i.e. no longer interested in houses heated by fossil fuels.	Low

Relevance
This was based on the frequency and impact of an event on the lending portfolio. Frequency was how often this event was likely to occur and this ranged from twice a year through to once every twenty

years. Whereas the impact axis ranged from insignificant to a threat to viability. The risks above were then plotted on a graph showing their relevance to the business.

We will look at assessing these risks in line with our business and planning cycles for 2024 and identify the appropriate time horizons (short, medium and long term).

Scenario Analysis

In modelling the impact of climate related risks, Triodos Bank UK reviewed the scenarios provided by the Intergovernmental Panel on Climate Change (IPCC) in its Fifth Assessment Report. Each scenario has a different Representation Concentration Pathway (RCP) where its projections combine the impacts of population size, economic activity, lifestyle, energy use, land use patterns, technology and climate policy on levels of GHG emissions.

Pathways	RCP 2.6	RCP 4.5	RCP 6.0	RCP 8.5
Level of mitigation	Stringent	Intermediate	Minimal/No Effort	Minimal/No Effort
Global warming temperature ranges in 2081 to 2100 (Relative to 1986 to 2005)	0.3°C to 1.7°C	1.1°C to 2.6°C	1.4°C to 3.1°C	2.6°C to 4.8°C

By building these pathways into our scenario analysis model, Triodos Bank UK is comfortable that it is in line with market practice and that they provide appropriate comparisons of mitigating actions paths. It is noted that this is a highly complex area where there is a significant amount of uncertainty and the time horizons extend outside of our typical business planning cycle.

The Scenario Analysis model focused on physical risk and has modelled potential losses from these extreme weather events incorporating flood, heatwaves/drought and storms. We also looked at the impact of the total cost to the UK economy (transition risk) based on analysis completed by the Grantham Research Institute on Climate Change and the Environment which showed a 3.3% GDP impact by 2050. This impact was applied as a shock to Triodos Bank UK's loan portfolio via an adaptation of the expected credit loss model.

Flood Risk was selected as the primary focus for the Scenario Analysis modelling following the completion of the internal materiality assessment; a standard process of stress testing done as part of the annual Internal Capital Adequacy Assessment Process (ICAAP). To calibrate our analysis, we used third party data which provided a more granular view of flooding data broken down into different types (Fluvial, Pluvial and Tidal) and considerations between defended and undefended collateral. To bolster our own internal analysis of the impact and probability of extreme physical risk, Triodos Bank UK then drew on the Met Office Studies using the IPCC Sixth Assessment Report. The detailed view of the Met Office studies was not available from the third-party data provider.

In its Scenario Analysis Model estimating the impact of financial loss driven by severe climate events, Triodos Bank UK chose to build a Monte Carlo Simulation. Monte Carlo Simulations are multiple probability simulations that are used to assess the impact of risk in real-life scenarios. The approach taken by Triodos Bank UK was to provide each physical event with a GBP impact given the event occurring and a probability. These inputs are then scaled as part of the sensitivity analysis, dependent on RCP Pathway using either the third-party data or the Met Office Extreme Event Reports. Complementing this bespoke model, Triodos Bank UK also ran transition risk through its Expected Credit Loss (ECL) model to calculate the estimated cost of transition between the current day and 2050. This adapted version of the ECL model estimates the impact of the transition on the economy and translates this to the Bank's lending book.

The use of the ECL and the bespoke Scenario Analysis models are the basis of the provisional scenario analysis completed by Triodos Bank UK. This approach is in its infancy and has provided the business with a view of its exposure to inform future model developments, and as better-quality data becomes available and approaches develop, the Bank will look to incorporate outputs into business planning cycles. Based on the potential loss figures calculated at this early stage, the risk is not material and Triodos Bank UK would expect to be able to withstand the losses showing it is resilient in a worst-case scenario of 2° Celsius. As we work on this, we recognise that there are tipping points above the 2°C mark that would need further development within our future modelling.

Risk management

Triodos Bank UK has decided to categorise the FRCC as 'cross-cutting' risks within the Risk Management Framework. Climate risk is being embedded within the policies, reporting and management of the Bank's overarching Primary Risks. Initially this will focus on the credit risk and operational risk frameworks. At the same time, we are reviewing whether climate change risk should be elevated to a Primary Risk within a broader categorisation encompassing climate and nature.

Triodos Bank UK's strategy, credit granting process and product approval process are aligned with its sustainable and values-based mission. Triodos Bank UK assesses the impact, risk and return of its business decisions in line with its mission and Risk Appetite Statement. The minimum standards set out the absolute minimum requirements that Triodos Bank UK applies to its banking and investment activities. In its day-to-day decision-making, Triodos Bank UK is guided by its business principles. All sustainability criteria referred to in this section can be found on the Bank's website. Lending criteria and minimum standards are also available on our website.

Risk Management Model and Control Cycle
To incorporate climate related risk, Triodos Bank UK has used the risk management model and control cycle to begin this process. What follows is how Triodos Bank UK approached climate related risk at each stage.

Risk universe, identification and assessment
Under the Risk Universe stage, the Bank reviews external developments such as laws and regulations. Specific to climate change has been the issuance of SS3/19 by the PRA plus subsequent Dear CEO Letters. At the same time, Triodos Bank UK has taken into the account the impetus to align with the TCFD framework as it is a stepping-stone to future sustainability requirements including transition plans, Sustainability Accounting Standards issued by ISSB and the Taskforce on Nature-Related Disclosures.

As part of the identification and assessment process, Triodos Bank UK would typically categorise a risk under a Primary Risk Type and assign a level of impact: Critical, High, Medium and Low. Climate change is unique in that it has been classed as cross-cutting and therefore does not fall under just one Primary Risk.

To identify and assess the risk to the Triodos Bank UK business, the following steps were followed:
- Workshops reviewed the physical and transition risks to the Business Banking Loan Portfolio and built on previous discussions. Attendees included representatives from Business Banking, Risk Function and Finance. As the Bank's portfolio is concentrated in social housing, healthcare, and renewables the risks

that were agreed as the most relevant were Flooding, Drought/Heatwave and Change in Regulations. Further detail is in the Metrics and Targets section below.
- Calculated sector level emissions (using PCAF methodology) to identify Triodos Bank UK's highest exposures resulting in the focus on Social Housing and Health Care. This provided an indicative view of their contributions to the Bank's emissions which will be validated through our wider customer engagement strategy.
- Reviewed existing customer data and identified gaps in Energy Performance Certificates (EPC) for customers. Throughout 2023, have validated and closed this gap on EPCs. Sourced 81% of EPCs for the Social Housing sector.
- Identified third party data sources for flood and EPC data. Within the Group, we have defined our draft requirements with third party consultants for further third-party data sources to improve analysis of other physical risks to the portfolio (wildfires, heatwaves, landslide, storms, subsidence, drought).
- Initiated the development of a Scenario Analysis model to understand the impact of physical risk (specifically flooding) on the Bank. As the data collected becomes more robust and the model evolves, we will be able to get a more accurate view of possible impacts on the Triodos Bank UK loan portfolio. Have also overlaid the transition risk impact of the estimated total costs to customers.
- The Triodos Bank Modelling and Valuation team are investigating how to incorporate the risk of climate change into the Expected Credit Loss Model. This commenced in 2023 with the support of third-party consultants. Results of stress-testing will be used to inform how the model is recalibrated.

In 2023, based on the analysis conducted, Triodos Bank UK has refined its approach to focus on collecting, validating and modelling data in relation to physical and transition risks.

At this stage, training on climate related risk is also being conducted across the business areas and risk & compliance function.

Risk response
This stage is where Triodos Bank UK assesses the identified risks against the Bank's business strategy, mission and values. It would also consider its response against its Risk Appetite Statement (RAS). With climate change risk, a new risk appetite statement has been designed with tolerances communicated and agreed with key stakeholders.

After assessing a risk, our response would be either to mitigate, transfer, accept or avoid. To a certain extent, our mission as a sustainable bank has potentially mitigated some of the risk in that we have a different starting position from competitors. For example, we do not lend to fossil fuel companies.

In addition, this thinking has also been incorporated into the lending criteria for new customers where an example is setting minimum standards for new property development. On our existing book, we are consolidating reporting for the Board as climate related risk has typically been part of individual customer level discussions. If unexpected risks are found within the existing book, an evaluation of the impact would be completed with a risk response identified (i.e. mitigate through a potential pricing review).

Risk monitoring
This involves both the First Line and Second Line evaluating Risk Management Information (MI), ensuring appropriate quality assurance and controls and providing feedback. At this stage, climate change risk needs to be embedded into credit risk and operational risk frameworks to allow monitoring at a functional level, whilst the enterprise-wide Risk Appetite Statement (RAS) is complete and will be reported against in 2024. Of note, the RAS will evolve over time as data becomes more robust and both management and the board refine their requirements.

Another tool available to consider the risk to Triodos Bank UK is reviewing the results of the Scenario Analysis Model and identifying other actions to manage these risks. This model is in its early stages and would need to be made more robust before the Bank would be confident in making decisions based on its outcomes.

In addition, the third-party data will be refined and validated as the customer questionnaire is implemented (see Metrics and Targets – Customer Engagement Strategy) and Triodos Bank UK looks at their transition plans and the risks that they face.

Risk reporting
This stage involves the collation and analysis of the Risk MI with objective information (facts and circumstances) and subjective interpretation from the Management Team. Initially, performance on the Risk Appetite Statement will be reported monthly to the Credit Committee and quarterly to the Board of Directors via the CRO Report.

Risk appetite statement
Triodos Bank UK has defined Risk Appetite as the aggregate level and types of risk it is willing to assume within its currently available risk capacity to achieve its strategic objectives and business plan. It documents these thresholds for the effective management of the risks identified that might endanger the Bank's strategic goals. Typically, it has risk appetite statements for each of its Primary Risks.

Though climate related risk is not a Primary Risk currently, it has a separate risk appetite statement. However, the Bank are reviewing whether climate change risk should be elevated to a Primary Risk so the risk categorisation may change going forwards. Within the Risk Appetite Statement that is being rolled out the focus is initially on metrics for Credit Risk and has measurements for both the Board and appropriate committees. Specific details of the metrics planned is documented in the following Metrics and Targets section. Their purpose is to provide both the management team and executive/management committees with a view of the level of risk to the Bank's loan portfolio as they evolve, and the data is validated. They also flag how further data collection is proceeding and where gaps exist and are being closed or mitigated. Additional metrics will be defined and rolled out in 2024 as climate related risk is further included in other business areas. Additionally,

Three lines model
Triodos Bank UK operates a Three Lines Model (3Lines) which segregates duties thus providing clarity to the different functions.

Lines of Defence	Climate Related Remit
First Line (Business Areas)	• Owns and manages climate related risks in relation to both customers and suppliers • Assesses the impact of climate related risk on liquidity and capital requirements • Maintains models which capture climate-related risk (Scenario Analysis) and incorporates into ICAAP/ILAAP • Ensures data quality and delivery/production of management information
Second Line (Risk & Compliance Function)	• Oversight and challenge of the management of climate related risk • Monitoring and reporting on climate-related risk to Board

Lines of Defence	Climate Related Remit
Third Line (Internal Audit)	• Independent assurance of project delivery of embedding risks into processes and development of reporting • Supplemented by external assurance reviews of emission calculations

Metrics and targets

Our Targets

Triodos Bank UK aligns with the metrics and targets of Triodos Bank, which has an overall goal of being net zero as soon as possible, and by 2035 at the latest. As signatory of the Net-Zero Banking Alliance, we have also set an intermediate target for 2030 to reduce net emissions by 32% to 232 ktonne CO_2e across our entire loans and investments portfolios. The focus is mostly on our financed emissions, as most of Triodos Bank's emissions come from loans and investments that we provide. For example, when we finance a medical centre, they might use gas to heat the building. This causes GHG emissions for which a part is attributed to Triodos Bank. This target also applies to our own operational emissions.

Triodos Bank has committed itself to the Science Based Target initiative (SBTi), a partnership organisation established in 2015 to help companies set science-based emission reduction targets. In March 2023, the SBTi validated Triodos Bank's near-term emission reduction targets as science based.

Science-based targets provide a clearly defined path for companies to reduce GHG emissions, helping prevent the worst impacts of climate change and future-proofing business growth. Targets are considered science based if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement: limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit global warming to 1.5°C.

Scope 1 and 2

Triodos Bank commits to reduce absolute scope 1 and 2 GHG emissions 63% by 2035 from a 2020 base year. Triodos Bank commits to increase annual sourcing of renewable electricity from 98.6% in 2020 to 100% by 2030.

Scope 3 category 1-14

Triodos Bank commits to reduce absolute scope 3 categories 1-14 GHG emissions 63% by 2035 from a 2020 base year.

Category	Control	Source	Description
Scope 1	Direct	Our Buildings	Emissions generated by sources owned or controlled by a company. For Triodos Bank UK, this is its Bristol office.
Scope 2	Indirect	Purchased Electricity	Emissions generated from electricity purchased to power buildings. Triodos Bank UK sources its electricity from energy providers that use renewable sources.
Scope 3 Category 1-14	Indirect	Upstream and Downstream Activities	Emissions from Triodos Bank UK's value chain as appropriate such as employee commuting, suppliers. Upstream is activity generating emissions prior to the point of sale by the producer whereas downstream is activities during sale process and end-of-life disposal.

Category	Control	Source	Description
Scope 3 Category 15	Indirect	Lending and Investment Portfolio	Emissions generated by customers who receive loans and/or investment from Triodos Bank UK. This is their Scope 1 and 2 emissions and is estimated using the PCAF methodology.

Triodos Bank has also set specific targets in relation to its loans and investment portfolio by sector and investment type. As these targets have been set by Triodos Bank, work is ongoing to scope out plans for their achievement at each local country level.

Specific targets in relation to the KPIs that have been set to monitor physical and transition risks as part of reporting packs have not yet been set. This reporting will start to be issued to the appropriate boards and committees in 2024 and we would expect targets to be developed as it matures. In addition, the roll-out of the customer questionnaire will help to identify the most appropriate KPIs to monitor risk.

<u>Greenhouse gas emissions</u>
This is the second year of reporting for Triodos Bank UK in line with the requirements of the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 and the UK's Streamlined Energy and Carbon Reporting (SECR) Regulations.

How we calculate our emissions continues to evolve as the robustness of data collected/analysed and methodologies applied improves.

Our methodology is consistent with:
- Internationally recognised standards (i.e. GHG Protocol Corporate Value Chain Accounting and Reporting Standard, World Resources Institute and World Business Council for Sustainable Development; 2004),
- Sector-led harmonised GHG accounting approach developed by the Dutch Partnership Carbon Accounting Financials, and
- Global GHG Accounting and Reporting Standard for the Financial Industry from PCAF (the Standard).

Triodos Bank UK has applied an operational control approach which means it includes Scope 1 and 2 emissions where it has 100% control of its own operations.

Our financed emissions
Guided by PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry and in collaboration with the PCAF consulting team, we defined our reporting and measurement principles in the Triodos Bank Integrated Annual Report.

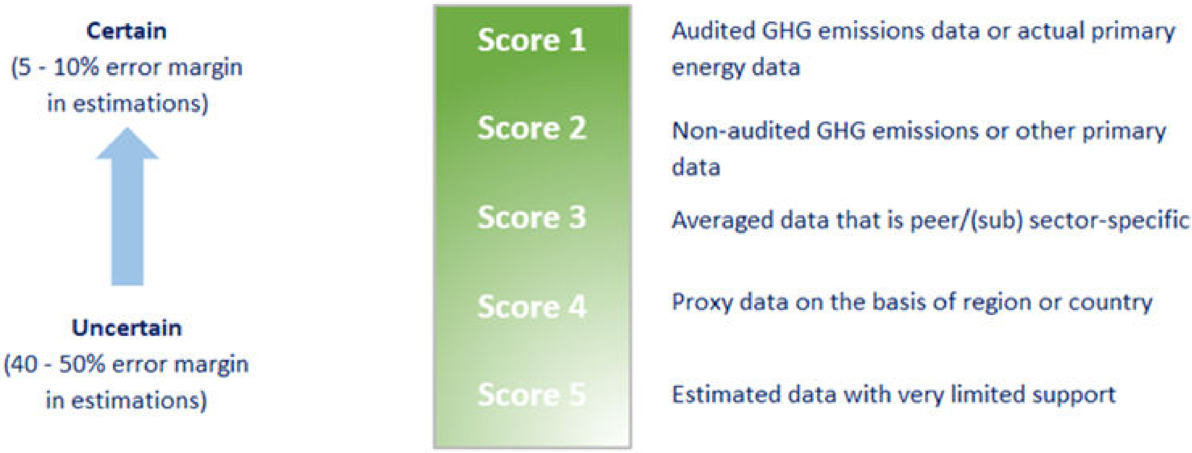
Triodos Bank has calculated CO_2 emissions across our portfolio using the PCAF methodology. Triodos Bank uses the outputs of an Impact Matrix Review it conducts of existing loans. It then uses a model that calculates emissions and has been verified against the Sustainable Development Goals (SDGs). Below is the formula that has been applied:

$$\text{Financed Emissions} = \text{Primary Data Client} \times \text{Emission Factor} \times \text{Attribution Factor}$$

Factor definitions

Primary data client/PCAF DQ score

This considers the quality of the data that is available for each sector of our portfolio. Data quality according to this methodology can vary quite widely from reported through to estimated data. Data Scores under PCAF are defined as follows:



Emission factor

An emission factor is the value that has been used to quantify the amount of GHG emissions triggered by a specific activity. They vary by country and sector. Triodos Bank source and review an emission factor table from Guidehouse which is then subject to audit with limited assurance.

For Triodos Bank, we have used emission factors in our PCAF calculations for 2023. To develop this further in 2024, we are undertaking a customer questionnaire which would be used to validate our loan portfolio customers' emissions.

Attribution factor

Triodos Bank calculates its share of a customer's emissions based on the proportion of our finance in a project or on a customer's balance sheet. For example, if we are responsible for 50% of a project's finance, then we report 50% of emissions generated or avoided by the project. Where the data quality score ranges between 1-4, we use the following ratio for the attribution factor:

$$\text{Attribution Factor} = \frac{\text{Outstanding Loans and Investments at Client}}{\text{Client Balance Sheet Total or Enterprise Value Including Cash (EVIC)}}$$

If the data quality is 5 where we have estimates with limited data support, we would use the following:

Calculation of emissions

For Triodos Bank, we have used emissions factors where applicable to calculate Scope 3 Financed Emissions across our portfolio. We are engaging with our customers in 2024 to validate these emissions. However, as our book has smaller customers that do not have to meet the same standards as larger and/or listed businesses in their reporting, we expect that there will be gaps.

As well as the emitting sectors, Triodos Bank UK also has "avoided emissions" where it applies a different calculation methodology and in line with GHG Protocol, it excludes these from its Scope 3 emission calculations. Thus, they are identified separately from net emissions.

Details of this calculation methodology can be found in Triodos Bank's Annual Report section on Greenhouse Gas Accounting Methodology.

Table 1 - Scope 3 financed emissions by sector

Transition Theme	Impact Sector	Gross amount (£m)[1] 2023	Gross amount (£m)[1] 2022	Attributed Emissions (Ktonne CO_2e)[2] 2023	Attributed Emissions (Ktonne CO_2e)[2] 2022	Emission Intensity (ktonne CO_2e/£m) 2023	Emission Intensity (ktonne CO_2e/£m) 2022	Data Quality Score[3] 2023	Data Quality Score[3] 2022
Energy	Environment - other	19	11	2,160	1,300	115	115	4.3	5.0
Food	Organic farming	33	34	1,200	1,190	37	35	2.8	2.8
	Organic food	4	11	460	990	117	94	5.0	5.0
Resources	Sustainable property	14	11	1,020	1,190	75	108	2.8	2.8
	Resources - other	25	29	580	1,540	23	54	3.6	3.9
Societal	Social housing	350	339	8,350	14,000	24	41	3.9	3.9
	Society other & municipalities	33	30	500	460	15	15	4.9	5.0
	Inclusive finance & development	10	14	360	200	35	15	5.0	5.0
Wellbeing	Care for the elderly	164	174	1,450	2,010	9	12	3.7	3.6
	Healthcare - other	52	54	580	390	11	7	5.0	5.0
	Education	81	75	1,240	610	15	8	3.9	3.6
	Arts and culture	43	47	710	1,160	16	25	4.4	3.4
	Wellbeing - other	57	61	810	790	14	13	4.8	4.9
		884	**888**	**19,420**	**25,830**	**22**	**29**	**4.0**	**3.9**
Sequestered emissions									
Resources	Nature development & forestry	25	5	(13,030)	(680)	(515)	(148)	1.3	3.0
Net emissions		**909**	**893**	**6,930**	**25,150**	**7**	**28**	**4.0**	**3.9**
Avoided emissions[4]									
Energy	Renewable energy	216	245	112,000	129,000	520	527	1.1	1.1
Total		**1,125**	**1,138**					**3.4**	**3.3**

[1] Gross portfolio value is reported excluding any accounting adjustments for effecetive interest rate accounting.
[2] Finance scope 3 emissions tied to leased properties, which could not be delineated individually, are included.
[3] 1 = High Quality and 5 = Low Quality
[4] Avoided emissions should not be summarised because their absolute emission is zero.

Outcomes
The data quality across the portfolio is variable and over time we expect to improve its quality. Thus, PCAF calculations have been used to provide an indicative view of emissions. Customer emissions are currently being impacted by passive emission reduction through the improved de-carbonisation of the energy market. This will reduce avoided emissions over time.

In our analysis, there are gaps in that if we have no energy consumption data we have relied on sector mapping to PCAF sectors. These are proxies in that Triodos Bank impact sectors are not always fully aligned to the PCAF database. Specific examples are:

- Arts and Culture and Wellbeing are mapped to "Recreation" which is quite broad and can include ice skating rinks to swimming pools.
- For Elderly Care we have used the emission factor for multi-family homes rather than the GHG intensive factor for Healthcare.

Within the overall sector calculations, assumptions have also been made for sub-sectors. Specifically, for Sustainable Property, there is typically a lower emission intensity but where we did not have this data, we have assumed an ‘A’ or ‘B’ for Energy Performance. Also, type of farming and location can cause variances in the emission factor applied.

From this analysis, Triodos Bank UK found that Social Housing and Elderly Care are the majority of its Net Attributed Emissions.

Greenhouse gas emissions of own operations
In this section, Triodos Bank UK sets out its energy consumption and operational and financed CO_2 emissions.

In keeping with our mission of being a sustainable bank, Triodos Bank takes great care of our own environmental performance. We continue to play a leading role, exemplifying how values-based banks and businesses in general can operate in an environmentally responsible way.

At Triodos Bank, we limit its environmental footprint as much as we can, avoiding the emissions of greenhouse gases wherever possible and offsetting any unavoidable emissions. We measure the footprint of our operations, register it in a CO_2 management system and compensates for it fully with Gold Standard carbon-offset projects.

We report on all our direct emissions (gas consumption for heating and fossil fuels for company and lease cars) and our most relevant indirect emissions related to our business operations (electricity, commuting travel, business travel, paper, waste and downstream leased assets). We also disclose the amount of energy used through both electricity and gas in all our banking entities.

The first table provides total CO_2 tonnes for Triodos Bank UK's operational emissions for the last three years and are location based (these reflect average emissions intensity of grids on which energy consumption occurs whereas market-based is where companies have entered into contractual instruments that could include a contract for the purchase/sale of electricity). The second table provides kWh and energy consumption to meet our obligations under SECR.

<u>Key Calculation Assumptions</u>

1. Electricity is for the Bristol office location only as London and Edinburgh offices are leased properties where we are unable to get a split of the utilities. For the Bristol office, we sell the energy produced by our solar panels back to the grid and purchase our own electricity from energy suppliers that have strong renewable energy credentials.

2. Purchased Goods and Services are driven primarily by paper and printer consumables. In addition, there was the one-off purchase of digital motors in 2023 that are used to control , monitor and optimise water usage within the Bristol office.
3. Climate Neutral Group (CNG) determines conversion factors to calculate GHG emissions on an annual basis. Conversion factors are multiplied by the appropriate measurement (Kwh, m3, mileage.) for each category. This provides a consolidated view of Triodos Bank UK's carbon footprint.
4. The CO_2 footprint breakdown in different scopes is also in line with international standards like the Greenhouse Gas Protocol (GHG Protocol) and the Global Reporting Initiative (GRI).

Table 2 - CO_2 emissions in tonnes

		Location Based		2023 vs 2022
	2023	2022	2021	%
Scope 1 - Gas consumption (heating)	2.1	-	-	100%
Scope 2 - Electricity	1.9	1.5	2.3	27%
Scope 3 - Purchased goods (Category 1)	2.6	1.6	7.6	63%
Scope 3 - Waste (Category 5)	1.8	-	-	18,200%
Scope 3 - Business travel (Category 6)	47.2	16.7	2.8	182%
Scope 3 - Employee commuting and home working (Category 7)	38.7	41.3	8.1	(6%)
Total Operational Emissions	**94.3**	**61.1**	**20.8**	**55%**
Less: Compensation for CO_2 credits	(94.3)	(61.1)	(20.8)	55%
CO_2 Balance	**-**	**-**	**-**	**-**
CO_2 Compensation credit per tonne	£19.76	£11.20	£9.21	76%
Intensity Metric				
Operational emissions/FTE	0.31	0.24	0.09	42%

Table 3 - Energy consumption in kWh (000s)

	2023	2022	2021	2023 vs 2022 (%)
Electricity consumption in kWh	367,640	327,321	312,800	12%
Electricity in kWh/FTE	1,221	1,280	1,425	(5%)
Total gas consumption in m^3	25,668	25,708	27,468	0%
Gas in m^3/FTE	85	101	125	(15%)

Year over Year Variances

- Electricity usage has dropped from 2021 due to a change in building system management in 2022 and further initiatives in 2023 including switch of lighting to LED and installation of digital motors on our

water system. Offsetting this decrease has been the increased use of the Foundation facilities for hosting events.
- Business Travel over recent years has increased as compared to 2021 as that was a COVID year. This is partly a consequence of catching up on in person meetings after the pandemic and partly a consequence of more international collaboration within Triodos Bank. In order to keep a grip on business travel by air, Triodos Bank is implementing a new international travel policy in 2024.
- Purchased goods and services were driven by additional paper/printer materials consumed in notifying customers of the multiple interest rate changes that occurred in 2023.

Planned 2024 initiatives
- Review leases for Edinburgh and London offices to investigate whether alternative premises can be identified that align more closely with Triodos Bank UK's standards of operation and values.
- New Sustainability Manager has started at Triodos Bank who will be working with local teams to put together further initiatives to reduce operational emissions.
- Have part-funded a feasibility study on participation in Bristol City Leap, a twenty-year joint venture between Bristol Council, Ameresco and Vattenfall Heat UK. Triodos Bank UK's interest is in the planned expansion of the heat network.

Below is the methodology used to calculate emissions and emission factors aligned to categories suggested by the Department for the Environment, Food and Rural Affairs (DEFRA).

Table 4 - Approach to calculation of emissions and relevance

Scope	Sub-Category	Approach for calculating emissions
Scope 1	Gas Consumption (Heating)	• Have a small combi boiler powered by green gas. Green gas is produced by our food and sewage waste which produces the methane used for this boiler. • Used building meter readings which are in m^3 which are then converted to kWh and then converted using an emissions factor
	Company & Lease Cars	• Not relevant as we do not have this type of scheme and business mileage is captured in Scope 3 emissions
Scope 2	Electricity	• Used building meter readings which are in kWh and are then converted using an emissions factor
	Company & Lease Cars (Electric)	• Not relevant as we do not have this type of scheme and business mileage is captured in Scope 3 emissions

Scope	Sub-Category	Approach for calculating emissions
Scope 3	Category 1 - Purchased Goods & Services	• Majority of goods in this area are paper and printer consumables, for banking documentation/financial conduct materials • Calculation is the metric tonnage purchase of paper and spend on printer consumables multiplied by an emissions factor • Are measuring emissions from point of use but are developing a methodology bringing in supplier's emissions in the next few years
	Category 2 - Capital Goods	• Have calculated delivery journey of new light fittings and recycled old fittings
	Category 3 - Fuel & Energy Related Activities	• Covers external/group visitors to our office. Assume that these are included in Triodos Bank and other external organisations' own calculations.
	Category 4 - Upstream Transportation and Distribution	• Not applicable to our business model
	Category 5 - Waste Generated in Operations	• Do not produce waste in operations processes as we are a paper-based business. Due to their confidentiality, documents are destroyed.
	Category 6 - Business Travel	• Broken down into form of transport and mileage and then multiplied by an emissions factor • Where co-workers are using electric cars, they do not have equivalent mileage tracking and thus not included. • Have sustainable hotel policies but are not able to calculate these emissions as reliant on hotel
	Category 7 - Employee Commuting and Home Working	• Survey on commuting distributed to all UK Co-workers in December • Focuses on mileage, number of days in the office and method of transport to calculate commuting impact and is then multiplied by an emissions factor
	Category 8 - Upstream Leased Assets	• Do not have any leased assets and equipment is included in Home Working
	Category 9 - Downstream Transportation and Distribution	• Not applicable to our business model
	Category 10 - Processing of Sold Products	• Not applicable to our business model
	Category 11 - Use of Sold Products	• Not applicable to our business model
	Category 12 - End of Life Sold Products	• Not applicable to our business model
	Category 13 - Downstream Leased Assets	• Do not have any leased assets
	Category 14 - Franchises	• Not applicable to our business model
	Category 15 - Investments	• Covered in detail within the 'Our financed emissions' section.

Methodology

The data to calculate the final CO_2 footprint of Triodos Bank is collected by local environmental managers in the various countries where Triodos Bank operates. They complete all data, including underlying evidence in a CO_2 Management Application of the Climate Neutral Group (CNG). The environmental manager of Triodos Bank in the Netherlands checks if the data and evidence have been input correctly. After the completion of this phase, all data is consolidated by the Triodos Bank Finance Division (using the four eyes principle). CNG determines conversion factors for the calculation of the amount of greenhouse gas emissions generated by Triodos Bank and Triodos Bank UK on an annual basis. The conversion factor multiplied by the outcome of the different components results in Triodos Bank UK's total CO_2 footprint.

Climate risk metrics

In assessing the impact of climate risk on its portfolio, Triodos Bank UK conducted an exercise with its internal teams and a third party consultant. The outcome was that it identified the three most significant risks:

Type of Risk	Risk	Description
Physical	Flooding	This is an endemic risk in the UK with the average distance to a river being 5kms and most major urban areas developing within a river's lower course. Specifically for Triodos Bank UK, the customers identified at risk are Housing Associations as damage to collateral is most distributed and could disrupt business practice without likely refinancing capital available.
Physical	Heatwave/ Drought	A heatwave is an extended period of hot weather relative to the expected conditions of the area at that time of year. It was identified that this would pose a risk to Triodos Bank UK's Healthcare and Agriculture customers. Specifically, Care Homes within urban heat islands, that do not have suitable ventilation could see increased risks to residents. However, due to the lower frequency of these events, it was decided that we are planning to analyse them in 2024.
Transition	Changes in Regulation	The UK government has set ambitious targets to reduce its CO_2 emissions and one focus has been to increase its energy efficiency. Of Triodos Bank UK's customer base, Social Housing is the most likely to be impacted as they are required to have an EPC target of "C" by 2030. Analysis needs to be completed on the primary collateral of our Housing Association customers.

As mentioned above, this exercise identified key sectors at risk but also as Triodos Bank UK does not lend to fossil fuel companies (in comparison to other banks) this has helped keep its exposure lower. Also, approximately 16% of its portfolio is in sustainable energy which is key in moving towards a low carbon economy.

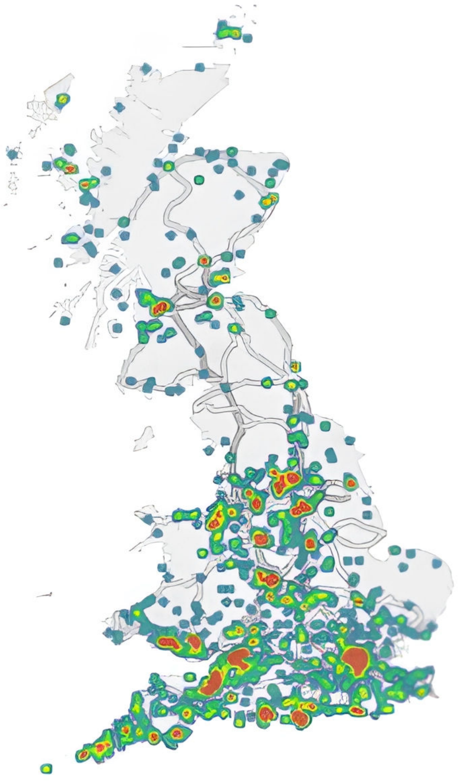
Flood risk

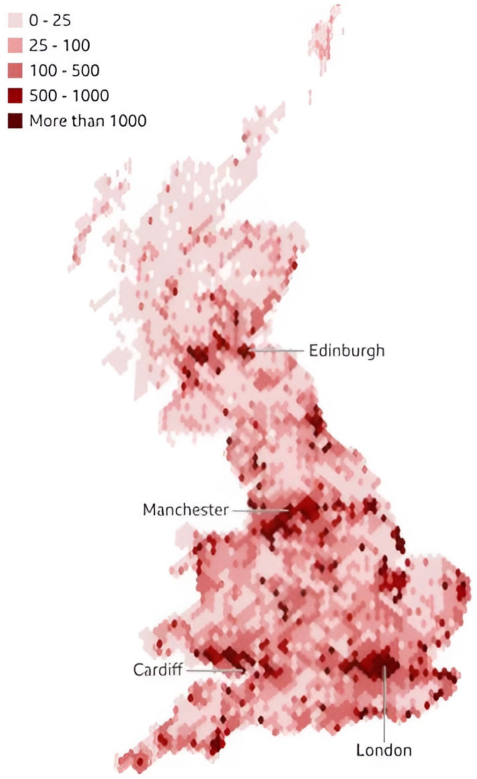
One of the challenges encountered was how to source flood information on collateral and address the quality of data needed. Triodos Bank UK engaged with a Third-Party Flood Data Provider and submitted 94% of address data to them. From this, they were able to match 91% of addresses resulting in a match rate of 86%. The typical industry match rate is 85% according to the data provider.

It was then decided to review risk for both the current year and over a 30-year time horizon to understand our portfolio exposure. For the longer-term scenario, IPCC RCP 6.0 was chosen which assumes a 1.4° to 3.1°

temperature rise and some level of mitigating actions. This was picked as it aligns with average loan term of 20 years.

What was found is that currently 2% of customers and 3% of portfolio value would be considered at high risk of flooding according to the criteria provided by the third-party data provider. Under the 30-year scenario, this risk remains minimal with 2.5% of customers and 3.5% of portfolio value at high risk. Below is a visual representation which shows Triodos Bank UK collateral on the left and flood data on the right. Of note, is that the Bank's collateral appears to intersect with high-risk areas in London, Bristol and Glasgow.



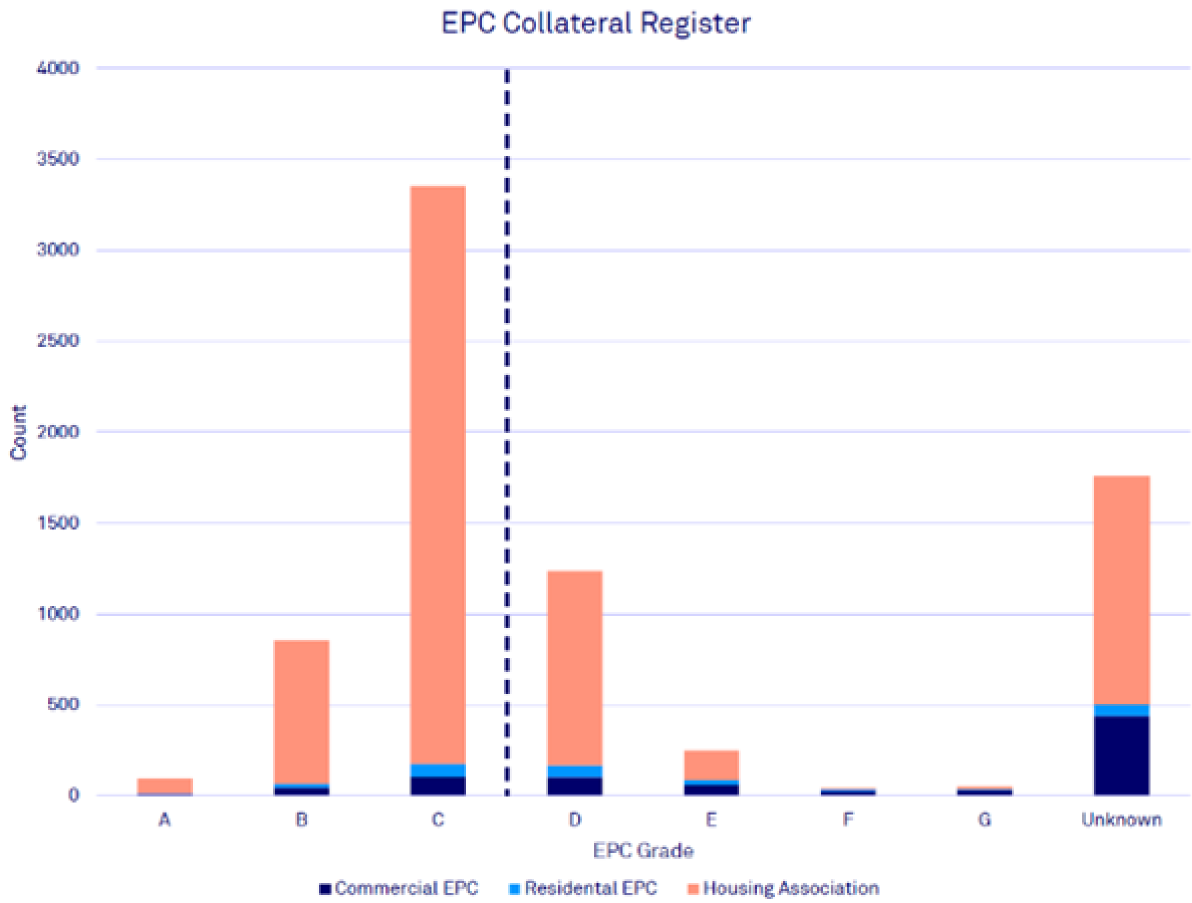


Though flood risk appears to be minimal based on third-party data, Triodos Bank UK has developed metrics in its Risk Appetite Statement to track and report on this risk. As the reporting is rolled out in 2024, there are no historical figures to compare against. In addition, this risk is expected to change as Triodos Bank UK collaborates with its customers to understand their risks and potential mitigation strategies planned or implemented which would not be captured by this third-party data.

At this stage, the first iteration of metrics specific to Flood Risk that have been proposed are looking at percentage of customers/book exposure with high risk of flooding calculated along different key data points. We expect that these metrics will be reviewed and adjusted as the reporting is embedded. No targets have been set as of yet for these metrics.

Changes in regulation risk

An Energy Performance Certificate (EPC) measures the energy efficiency of a property and it ranges from 'A' (most efficient) to 'G' (least efficient). It provides information about a property's energy use and typical energy costs. Nevertheless, it should only be considered a proxy as it lasts for ten years and tends to be updated when a property is built, sold or rented.



After identifying that our Social Housing customers potentially have a significant risk in meeting the 2030 deadline, Triodos Bank UK proactively collected this data to understand this risk. We were able to source EPC figures for 81% of this collateral.

In analysing the scores available it was found that 23.6% had EPCs between 'D' to 'G' which is below the 2030 aim of 'C'. To address this, Triodos Bank UK is planning to bring forward the roll-out of a retrofit product for its customers to 2024. In addition, in 2024 Triodos Bank UK will expand its collection of EPC data to customers not initially identified as high risk to assess their risk profile.

The first iteration of metrics to track this transition risk is being introduced in 2024 and similar to flood risk we expect these metrics to be reviewed and adjusted as they are embedded in reporting. No targets have been set as of yet for these metrics and as this is first year of planned reporting there are no historical comparatives.

Other metrics in development

As Triodos Bank UK embeds new metrics into its reporting, it is acutely aware of other areas that it needs to track.

In relation to the deployment of metrics on capital spend, they would be relevant primarily to the Bristol office and properties in London and Edinburgh. Otherwise, Triodos Bank UK does not have any other significant capital expenditure. Appropriate metrics will need to be developed.

Like capital spend, another area of development for metrics is for tracking suppliers on maturity of transition plans and their emissions. An initial supplier assessment highlighted key suppliers and is also looking to assess their flood risk in 2024.

Customer engagement strategy

As mentioned previously, the calculations that have been performed to estimate Scope 3 Financed Emissions are indicative due to the data available and the use of broad sector analysis. As well, the physical and transition risks are currently reliant on data from Third-Party providers.

Therefore, Triodos Bank UK has put together an engagement strategy to work with its customers in validating their emissions, confirming their risk exposure and ascertaining the maturity of their transition plans. Initially, a questionnaire was piloted with a small number of customers in 2023 and based on this experience the questions and strategy have been refined.

The highest risk customers have been identified in Q1 2024 which will result in engagement with at least 47% of our total customer exposure who make up 52% of our net emissions. With this more refined data, Triodos Bank UK would expect emissions data to change and our knowledge of customer's climate risk to become more robust. We will track progress on this engagement strategy through the reporting that will be delivered to the Board and appropriate committees.

Our customers play an important role in achieving our climate ambition. Ultimately, we will have to succeed together to reduce GHG emissions. We will continue to engage with our customers, helping them to realise a reduction in emissions.

Risk overview

Macro-economy
In 2023, the UK experienced continued macroeconomic uncertainty with the ongoing impacts of Brexit, UK political volatility, rising inflation, rising interest rates, extensive regulatory change and the cost-of-living crisis being key contributors. These events created material risks for the Bank to manage across the established Risk Management Framework (RMF), the most significantly impacted risk types are strategic, credit, compliance and operational risks.

The ongoing conflicts in Eastern Europe and the Middle East has driven market volatility but the Bank has had limited direct exposure to the Russia / Ukraine war or Israeli / Gaza conflict to date. The impacts of rising interest rates and the cost-of-living crisis have been carefully monitored through the Bank's established governance and control environment. Enhanced monitoring has been put in place and any potential impacts are identified and mitigated where required.

The main residual uncertain impact from the inflation experienced during 2023 is expected to be on credit risk as it further increases the financial hardship for some from the multi-year crises experienced since 2020.

Financial, and specifically credit risks from climate change are receiving ongoing assessment and as described in the previous section the risk framework has and will continue to be updated to capture the expected impacts.

Sector competition
Triodos Bank UK's chosen sectors have been a mix of some emerging (e.g. Electric Vehicle (EV) charging or rewilding) or relatively niche markets (e.g. community ownership and care farms) and some well-established sectors which other banks also lend to (e.g. social housing, healthcare and agriculture). Increasing environmental awareness and action provides continual strong competition in some lending sectors. Triodos Bank continues to finance new and innovative sectors, business models and technologies. For example, in 2023, Triodos Bank UK invested in nature restoration and added to our pioneering portfolio of nature-based investment projects by providing the largest debt transaction for nature-based finance in the United Kingdom.

Mainstream banks increasingly embrace sustainability as a business opportunity and may compete aggressively to take advantage of available lending opportunities, while FinTechs (digital financial services businesses) create new fields of competition and raise customer expectations which challenge our relationship approach.

Rising inflation, interest rates and costs of living are changing the needs and requirements of our customers. The increase in cybercrime requires the Bank to increase its focus on systems to safeguard customers.

This all provides both opportunities and challenges for the Bank as competitors currently appear focused on positioning 'ethics' around a customer treatment perspective and environmental aspects given climate change concerns. The Triodos Bank UK approach remains distinct in terms of its deeper engagement with customers both those entrusting their funds to us and those borrowing from us, around our purpose and our focus and innovation on environmental protection and social equality.

Risk strategy
Triodos Bank UK's Risk Strategy aims to guide the construction and enable the delivery of our Business Plan in a sustainable, prudent and compliant way, meeting relevant regulatory and legal requirements, supported by effective and

efficient risk management. This is supported by a RMF.

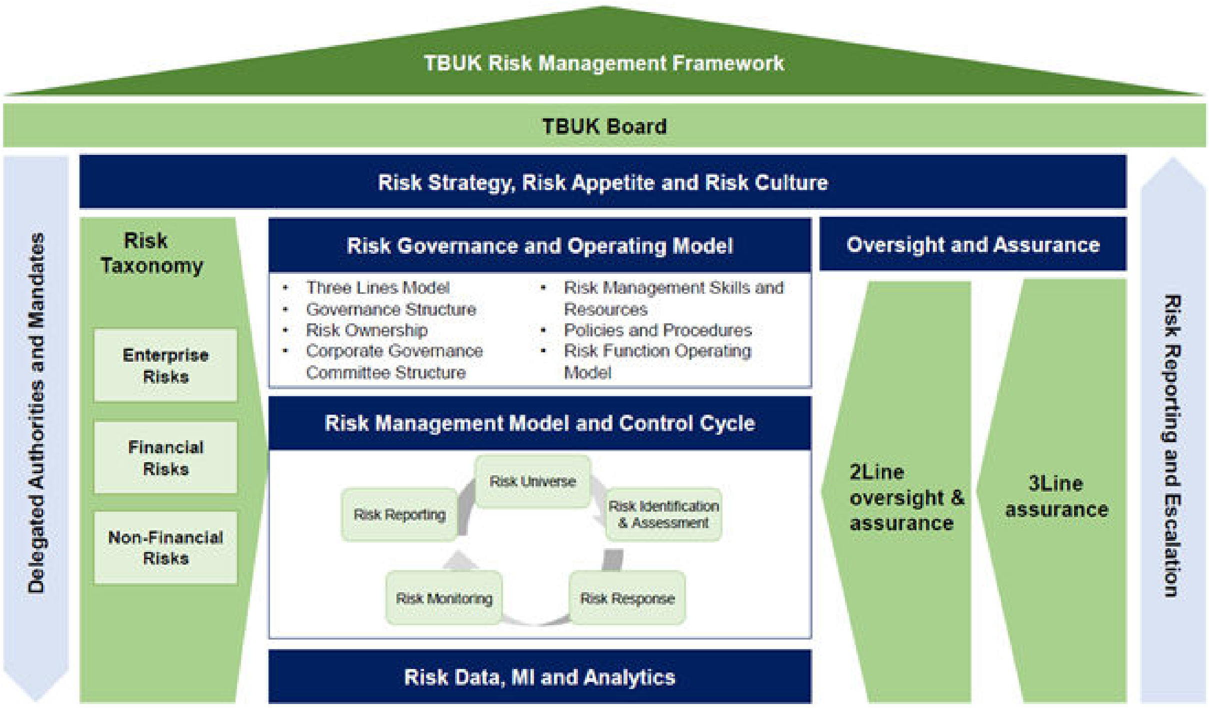
The RMF articulates the risk management strategy, governance, approach, and control framework that identifies, assesses, responds, monitors, and reports on risk exposures faced by the Bank. It is operationally owned by the Chief Risk Officer (CRO) and approved by the Board.

Triodos Bank UK's RMF seeks to align to the Triodos Bank Risk Management Framework. However, it also reflects the UK regulatory environment where necessary, as guided and approved by the Board Risk Committee. The Board Risk Committee 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 strategic planning process, and both inputs support the RMF content. The CRO also undertakes an annual review of the RMF that seeks to confirm that it remains fit for purpose in the period in between.

An industry standard 'Three Lines' model is incorporated in the RMF and applied within Triodos Bank UK 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 internal control and risk management system. Application of this model provides a structure for periodic Risk and Internal Audit assurance activity around the RMF.

The core components of Triodos Bank UK's RMF are summarised below within the figure below:



Risk profile and performance

Key risks have continued to be managed effectively, thereby enabling the delivery of the Business Plan in a sustainable, prudent and compliant way.

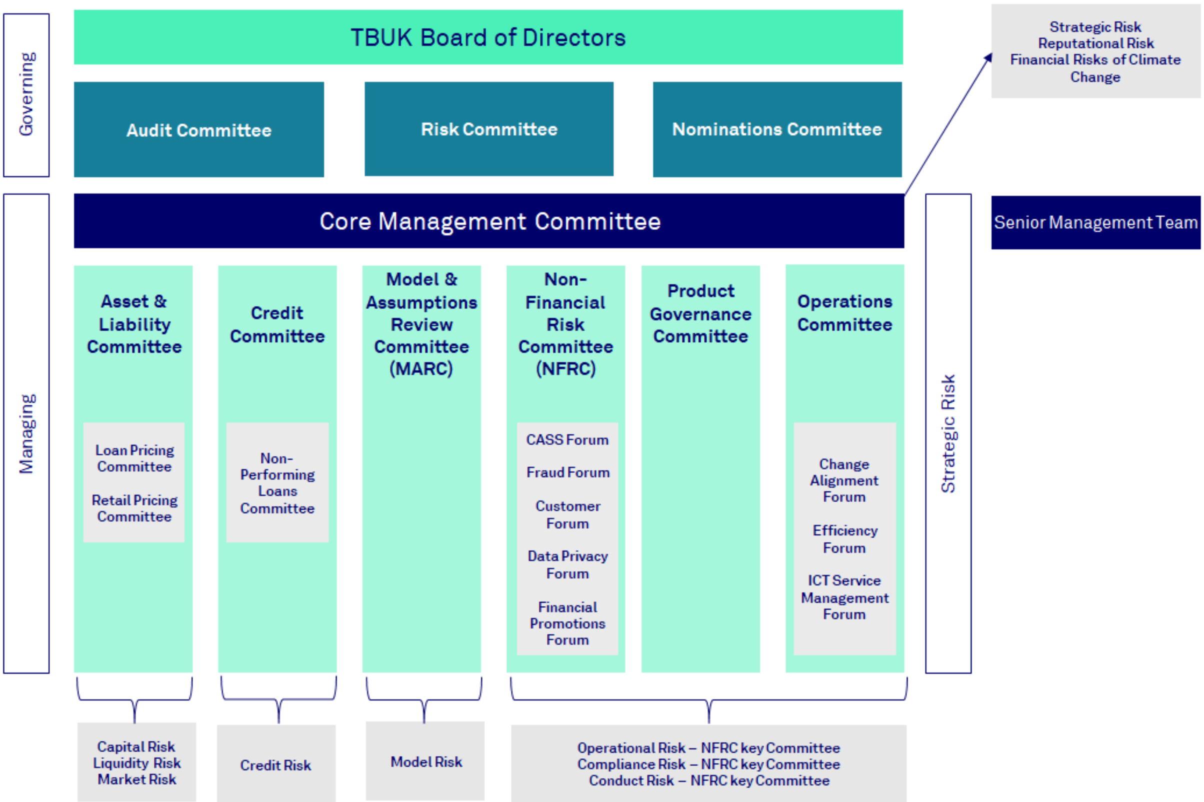
The capital and liquidity strength of Triodos Bank UK has remained robust throughout 2023, positioning the Bank well to achieve its strategic aims in the coming years.

Support for customers has been maintained throughout the recent years of different crises outlined above and the current challenges seen across the UK economy.

Origination of new lending has been challenging through 2023 with increased impairment during the year but the portfolio remains well collateralised. Additional monitoring has been implemented to indentify any early indicators of affordability stress and to support both our business and retail customers proactively.

Risk governance

A formal governance structure is in place to deliver effective operational review of each risk type as shown below:



Primary risks

Triodos Bank UK maintains a risk taxonomy to support the structure for managing risks with the RMF. In line with risk taxonomy in the RMF above, strategic, reputational, model and capital risks are enterprise risks. Credit, liquidity and market risks are financial risks and operational, compliance and conduct risks are non-financial risks. Financial Risks from Climate Change are currently cross cutting across all primary risk types (see climate change section). Each Primary risk type is outlined in the table below:

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.

Primary Risk	2023 Performance	Risk Mitigation/Review
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.

Primary Risk	2023 Performance	Risk Mitigation/Review
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.

Primary Risk	2023 Performance	Risk Mitigation/Review
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.

Primary Risk	2023 Performance	Risk Mitigation/Review
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.

Primary Risk	2023 Performance	Risk Mitigation/Review
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk. Incorporates: Legal, Process, Product, People, Internal Fraud, Technology, Information Security & Cyber, Operational Resilience, Business Continuity, Data Management, Outsourcing, Change, and Physical Security & Safety Risks.	Operational Risk has remained moderate throughout 2023, with actions in place to reduce this over time. Continued focus has been on: • 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)	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 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.

Primary Risk	2023 Performance	Risk Mitigation/Review
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.

Primary Risk	2023 Performance	Risk Mitigation/Review
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.

Primary Risk	2023 Performance	Risk Mitigation/Review
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 products or product servicing. Incorporates: Culture, Product & Services and Customer Treatment & Protection Risks (including Sales & Post Sales Risks).	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 delivers fair and prompt outcomes for customers.	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 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.

Key regulatory initiatives (in addition to Climate Risk and Consumer Duty, covered above)

Operational Resilience
Operational Resilience remains a key regulatory focus area for Triodos Bank UK as the resilience of its Important Business Services (IBSs) and their dependencies are enhanced in line with the regulatory expectations and Triodos Bank UK business strategy. We are making progress in embedding the Operational Resilience framework and requirements into our activities and processes. This is backed up by a programme of education to all co-workers on their responsibilities, and on the consequences of causing customer intolerable harm. Targeted training will be a key focus area in 2024.

We will continue to mature our Operational Resilience scenario testing capabilities for assurance that in severe but plausible scenarios, Triodos Bank UK has the capabilities to prevent intolerable harm to customers and will not risk its financial safety, soundness and stability.

Equity, Diversity, and Inclusion
Regulatory focus in this area has continued to develop and, Equity, Diversity, and Inclusion (EDI) remains a focus of Triodos Bank UK's people strategy, creating and embedding a diverse and inclusive co-worker community. Detail around progress against our EDI strategy are outlined within the co-worker section above.

Vendor Management
In 2023, Triodos Bank UK worked closely with suppliers to respond to the continuously evolving regulatory landscape and a Triodos Bank

Procurement operating model was implemented during Q4 2023 which will allow the Bank to continue to deliver on our UK ambition into 2024 and beyond, whilst working closely with our Group entities to realise our One Bank maturity strategy. More detail can be found within the Suppliers section of the section 172 statement below.

Emerging risks

Triodos Bank UK is alert to a range of emerging risks as well as a continuation of the various risks identified above. These include ongoing focus around technological innovation and digitalisation (including currencies), data, information security and Artificial Intelligence (AI), as well as the credit risks arising from a long-term stressed real economy. There is an on-going need for strong and resilient systems, customer and service provision aligned with evolving demographics and values, co-worker proposition and the ability to attract and retain a diverse, skilled and competent, and talented workforce, all with the backdrop of continuing geopolitical and economic volatility.

Triodos Bank UK also recognises the potential for further emerging risks within the global banking sector similar to the start of 2023 where three banks in the United States with significant exposure to the technology sector or cryptocurrency failed.

To support the early identification of emerging risks, Triodos Bank UK undertakes its own horizon scanning for regulatory, legal and general risk management change together with being party to many industry bodies and forums that supplement those existing early identification processes, such as UK Finance. Typically, and depending on the perceived severity of each emerging risk, Triodos Bank UK utilises Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis to better assess potential impact and will include the risk within the overarching Executive risk register for close monitoring.

Section 172 statement

Triodos Bank UK's Section 172 statement provides insight to how the Directors have considered their duty to promote the success of the company for the benefit of its shareholder while also having regard to the interests of other stakeholders and broader issues such as the longer-term impacts of decision making. The mission of Triodos Bank UK has at its core quality of life, human dignity, and the environment.

The Board acknowledge their role as leaders and stewards of culture at Triodos Bank UK, but they also recognise that culture is influenced by every facet of an organisation. Therefore, the values of Triodos Bank are built into all operations of the business, including the deliberations and decisions of the Board and the broader impact and influence that we have on people, community, and the environment.

The Board is committed to ethical practices and prioritises the interests of our diverse stakeholders which includes, our sole shareholder, customers, co-workers, suppliers, communities, the environment and regulators. Our decision-making processes consider the long-term impact on all stakeholders, fostering transparency, sustainability, and social responsibility. By integrating ethical considerations into our business strategy, we aim to create enduring value and have a positive impact from a social, cultural and environmental perspective.

Shareholder
Triodos Bank N.V is the sole shareholder of Triodos Bank UK, and both share a mission to make money work for positive change in society. The Directors of Triodos Bank UK have established ways of working that promote collaboration and consultation with the shareholder, including sharing key Board papers and holding quarterly discussions between the Chair and shareholder. Close engagement with the shareholder supports the pursuit of a shared mission and aligned strategies and ensures that Triodos Bank UK can respond to the interests of its own stakeholders and a different regulatory context.

Customers
2023 focused on delivering on key projects such as Consumer Duty effective from 31 July 2023 and a new set of principle-based rules designed and published by the FCA. The rules require financial services companies to put customers' needs first by delivering good outcomes and fair value with aim of ensuring millions of customers across the UK who use financial services are treated better by organisations and the industry.

The Board made implementation of Consumer Duty rules a key focus undertaking significant work including product and value reviews, customer journey mapping, co-worker training, process improvements and policy & procedure refreshes to ensure the Bank delivers against the four outcomes the FCA expects firms to deliver on: Product and Service, Price and Value, Consumer Understanding and Consumer Support.

The Board have also focused on supporting our customer base to deliver positive environmental and social impact.

Co-workers
The Directors' understanding of the interests of co-workers continues to be achieved through reports on engagement surveys and discussions with co-workers, both formally through annual Q&A sessions, shared development and strategy sessions, and informally, by establishing and leading an open and approachable culture.
The Board's annual SMCR (Senior Manager & Certification Regime) this year focussed on organisational culture and regulatory expectations in this area.

Having launched our continuous listening platform in January 2022, regular co-worker surveys have been held during the year with feedback and intended actions being shared with the directors.

The Board continued to oversee the implementation of the people strategy launched in 2020 which prioritises Equity, Diversity and Inclusion, talent attraction, retention and co-worker development, in addition to embedding values and behaviours aligned to the Triodos Bank mission and governance.

Suppliers
The Board are committed to a culture of sustainable procurement that combines social, environmental and commercial aspects alongside a strong focus on management of third-party risk, resilience of supply chains and protecting our customers. Triodos Bank UK strives for long-term collaborative relationships with our suppliers – engagement with suppliers is conducted in a competitive, fair and transparent manner that puts Triodos Bank UK's customers at the heart of what we do whilst ensuring that our suppliers comply with European Union law, UK Law and international best practice.

During 2023 Triodos Bank UK worked closely with suppliers to respond to the evolving regulatory landscape by investing in improved operational resilience, governance, monitoring and control of our critical supplier relationships. There has been significant focus on enhancing internal policies, driving compliance and maturing our ways of working. Implementation of a new supplier assurance tool will ensure we continue to partner with the right organisations to deliver positive impact ambitions and promote the use and adoption of more sustainable products, production processes, and supply chains.

With a new Triodos Bank Procurement operating model implemented during Q4 2023 we will continue to deliver on our UK ambition into 2024 and beyond, whilst working closely with our Group entities to realise our One Bank maturity strategy.

Financial Risks of Climate Change
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.

Regulators
The Board is committed to demonstrating that Triodos Bank UK is diligent not only in meeting regulatory requirements but also that the Bank ensures customers are at the heart of our decision making in everything that we do. The Directors of Triodos Bank UK have relationships with the Bank's regulators based on openness and transparency.

Throughout 2023, as macro-economic uncertainty continued, the Board held frequent meetings to maintain close oversight of the business to ensure the Bank was resilient and responsive to challenges. Information from these meetings was shared with the PRA and FCA to maintain regulator engagement and demonstrate that Triodos Bank UK was safeguarding and supporting our customers' interests. The Bank continues to actively monitor potential impacts of for example the cost-of-living crisis, inflation, rising interest rates, the failures within the Banking sector early in the year, the international geo-political crises and also the effective implementation of Consumer Duty regulation.

Future developments

The Triodos Bank Strategic Plan 2024-26 provides strategic direction aimed at strengthening our position as a leader for impact within financial services. The strategy works towards the Triodos Bank goal of being a leading catalyst towards a sustainable world, using money for systemic change.

Triodos Bank UK aims to deliver impact through growth in the lending portfolio which includes existing and new lending opportunities such as nature-based solutions. We aim for an expansion of impact investment fund propositions and investment crowdfunding activity whilst we also continue to grow our core banking products.

The rise in Bank Base Rate to a 15 year high during 2023 has benefitted income performance whilst also impacting our future lending outlook and future income projections. We also recognise the negative impact of this on individuals and companies, which alongside record levels of inflation have increased costs significantly and dampened consumer demand.

Bank Base Rate stabilised in Q4 2023 at 5.25% and has remained at that level into early 2024, providing the additional challenges of potential interest rate reductions as the overall cost base has risen. The Bank has managed interest rate risk to maintain natural hedging against the loan portfolio, through the placement of fixed term bonds with selective mission-aligned institutions, and government gilts. These strategies help to optimise the Bank's balance sheet and maintain profitability in the medium term.

The Board will respond to these developments, seizing the opportunities present in the markets, sectors and regions in which the Bank is active. Fulfilling our mission while maintaining a sound level of risk and return remain key, so the Bank will continue to work on ensuring regulatory compliance and effective risk management alongside improving cost efficiency through tactical and strategic operating model developments.

To effectively manage diversity in its income streams, Triodos Bank UK is focusing on growing its revenue streams outside of its core lending portfolio that also contribute to the Bank's mission. For example, as of the date of this report's signing, in the first quarter of 2024, Triodos Bank UK have introduced the Triodos Future Generations Fund through its impact investment platform. The fund is a thematic fund aimed at improving the wellbeing and development of children worldwide. This fund provides an opportunity for everyday investors to support listed small and midcap companies around the world that fit into this unique socially focused investment theme.

Triodos Bank UK is also increasing the focus on management of its overall cost base. This will consist of regular performance assessments and cost analysis to guide strategic decision making and allocate resources effectively. The main focus is to encourage a culture of cost-consciousness among co-workers and promoting innovative cost-saving measures that can contribute to long-term financial resilience as interest rates begin to fall.

Additionally, embracing technological advancements is crucial for operational efficiency and meeting evolving customer expectations. Active development of the current account proposition will improve mobile app functionality and we continue to digitalise retail customer products to make onboarding and serving customers a better and more efficient experience.

We are currently operating in ever changing economic conditions and therefore robust risk management practices become paramount. For that reason, in 2023 Triodos Bank UK launched its internal 'Springboard' programme. The programme will run over the next few years and the objective is to ensure Triodos Bank UK is regulatory compliant and in control, in an adaptive, robust and cost-effective way.

Triodos Bank UK's capital and liquidity position is in line with internal target ratios and well above the regulatory minimum requirements, this includes accounting for the 1% increase to the Counter-Cyclical Buffer in 2023. The Bank is preparing for the future implementation of Basel 3.1 which we are aware might result in additional funding and Tier 2 requirements.

Approval

Approved by the Board of Directors on 27 March 2024 and signed on its behalf by:

Gary Page

Chair

Bevis Watts

Chief Executive Officer

Directors' Report

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2023 for Triodos Bank UK Limited.

For comprehensive analysis on the operations and impact of Triodos Bank, including the UK, please refer to the consolidated group reporting in the Triodos Bank N.V. Annual Report (www.annual-report-triodos.com).

Directors

The Directors of Triodos Bank UK Limited during the year (unless otherwise disclosed) and at the date of signing the financial statements were:

	Role	Total Directorships (incl. Triodos Bank UK) Number
Gary Page	Independent Non-Executive Director, Chair of the Board	3
Richard Burrett	Independent Non-Executive Director, Chair of Audit Committee, Member of Risk Committee	2
Karen Furlong	Independent Non-Executive Director, Senior Independent Director, (SID) Member of Audit Committee	5
Keith Bevan	Independent Non-Executive Director, Chair of Risk Committee, Member of Audit Committee	2
Wibout de Klijne	Non-Executive Director	1
Alessandra Mongiardino[1]	Independent Non-Executive Director, Member of Risk Committee	1
Bevis Watts	Executive Director	6
Sian Williams[2]	Executive Director	1

[1] Appointed as a Non-Executive Director from 1 January 2023
[2] Appointed as an Executive Director from 1 January 2023

The Board aims to meet at least eight times per year. During 2023, there were eleven ordinary Board meetings, three separate Strategy Days, and five extraordinary or special meetings. In 2023, Board attendance was close to 100% for the planned meetings with only three Directors missing one each of the eleven planned meetings.

The role of Senior Independent Director is held by Karen Furlong, who was appointed to this role in 2022.

The members of the Risk Committee are Keith Bevan (Chair), Gary Page, Richard Burrett and (from 1 January 2023) Alessandra Mongiardino. The committee aims to meet at least 4 times a year, and in 2023 held ten ordinary meetings, and two special meetings. Attendance was close to 100% with only one Director missing two of the meetings.

The members of the Audit Committee are Richard Burrett (Chair), Karen Furlong and Keith Bevan. The committee aims to meet at least 4 times a year, and in 2023 held five ordinary meetings, and one special meeting. Attendance was close to 100% with only one Director missing one of the meetings.

The members of the Nomination Committee are Gary Page (Chair), Karen Furlong and (from 1 January 2023) Alessandra Mongiardino. The committee aims to meet at least 4 times a year, and in 2023 held four ordinary meetings, and two special meetings. Attendance was 100%.

In 2023, the Triodos Bank UK Board decided to build a greater degree of executive membership to the Board, appointing Sian Williams, the Bank's CRO, as a second Executive Director from 1 January 2023.

Directors' recruitment and diversity

The Triodos Bank UK Board Succession and Diversity Policy guides recruitment and diversity of Directors.

Recruitment strategies are designed around an assessment of skills available on the Board and the skills needed to deliver the Bank's strategic objectives. Recruitment of new Directors is managed directly by the Board with the support of the Corporate Secretary, internal HR department and external search companies as required. All current Directors have extensive experience in regulated firms, primarily in the banking industry.

The Board's approach to diversity is aligned to its commitment to a diverse and inclusive workplace which reflects the communities in which it does business. The objective for Board composition is to include at least 30% female and 30% male membership. At the date of signing the financial statements, the Board includes three female Directors, representing 37.5% of membership.

New Key risk indicators have been approved for use through 2024 to monitor key EDI aspects of the Board including:
1. At least one senior Board position is a woman (Chair, CEO, SID, CRO or CFO);
2. Board composition should be more than 40% female (male composition should not be <40% either); and
3. At least one board member is from a minority ethnic background.

The first metric is 'green' given the SID being a woman; the second metric is just out of appetite (at 37.5%); and the third aspect is a focus area for Board succession planning. While it is challenging to achieve good diversity on a small Board, the Board is committed to ensure that future recruitment actively considers how to encourage and support a greater diversity of candidates.

We are signed up to the Disability Confident scheme which helps us recruit, retain and develop disabled people and shows disabled people that we recognise the value they can bring to our business. In 2025, we will seek to move from level 1 to level 2.

Results and dividends

The profit for the year, after taxation, was £2.8 million (2022: £9.2 million). The Directors recommend the payment of a dividend of 0.81 pence per share (2022: 1.63 pence per share). The dividend proposal is made according to Triodos Bank UK's Dividend Policy.

Directors' indemnity

Triodos Bank has purchased and has maintained Directors' and Officers' liability insurance cover for the benefit of the Directors and Officers of Triodos Bank UK throughout the financial year and it is currently in force.

Triodos Bank UK also has qualifying third party indemnity provisions in its Articles of Association for the benefit of each of the Bank's Directors serving in 2023 and as at the date of approval of this report.

Political and charitable donations

Triodos Bank UK donated £38,793 to charitable organisations in 2023 (2022: £33,706). Triodos Bank UK has not made any donations to any registered UK political party.

Significant events since year end

The directors agreed payment of a 50% dividend (£1.4m) at the meeting of the UK Board in March 2024 (2022: £2.8m dividend), in repsect of the results for the year ending 31 December 2023 (note 30).

At the date of this report, the Directors are not aware of any other matter or circumstance which has arisen which has significantly affected or may significantly affect the operations of the Bank, the results of those operations or the situation of the Bank in the financial year after 31 December 2023 not otherwise disclosed in this report.

Future developments

The ambition and plans for the future development of Triodos Bank UK are set out above in the Strategic Report.

Employee engagement and business relationships

Triodos Bank UK Board Directors encourage co-workers to attend Board meetings and present their work, both for developmental purposes and to ensure that they maintain a connection with co-workers throughout the organisation.

In addition to this, Board Members participated in the following co-worker events during 2023:
- The Board held two in-person/ hybrid townhall sessions with co-workers in March and November.
- The Board members each met in person with co-workers that form part of the talent and development succession plan for the Senior Management Team.
- Gary Page and Karen Furlong joined the Christmas Triodos Community Meeting in December offering an end of year 'thank you' and reflections on the year and what's to come.

GHG emissions, energy consumption and energy efficiency

The Bank's disclosures around emissions, energy consumption and energy efficiency including the Bank's Streamlined Energy and Carbon Reporting (SECR) are set out within the Climate Change section of the Strategic Report above.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK adopted international accounting standards and with the requirements of the Companies Act 2006.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that Triodos Bank UK has adequate resources to continue in business for the foreseeable future.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions including but not limited to future projections of profitability, cash flows and capital resources.

The Directors have considered the impacts of the ongoing actions imposed by the Monetary Policy Committee to control rapidly rising inflation as well as the integral services Triodos Bank UK's parent company provides the Bank. The Bank of England Base Rate has risen sharply throughout 2023 but has remained stable in the fourth quarter of 2023. For this reason, management have undertaken stress scenarios under further rapid increases in the Bank of England Base Rate but also sharp contractions.

The principal risk to the Bank from rising inflation and interest rates over 2023 is credit losses. The Directors have made provision for expected credits losses, and although further losses are possible given the evolving macroeconomic environment, these are considered unlikely to affect the Bank's going concern status as the Bank has maintained a strong capital and liquidity position. This is supported by the fact the Bank has sustained increased impairment losses in 2023 but remains profitable and cash generative, where additional cash has then been invested in fixed rate products via bond purchases to hedge against downward Base Rate movements in the medium term.

In addition, Note 26 to the financial statements includes Triodos Bank UK's policies and processes for managing its capital, its financial risk management and its exposures to credit risk, liquidity risk and market risk.

Triodos Bank UK has adequate financial resources, and the Directors believe that the Bank is well placed to manage its business risks successfully. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement of disclosure of information to auditors

The Directors who held office at the date of the approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director; to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. Their confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Pursuant to section 487 (2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and, as at the date of these financial statements, the Directors are not aware of any resolution to terminate the appointment of the auditors.

Approval

The Directors consider that the Annual Report, taken as a whole, is fair, balanced, and understandable, and provides the necessary information to assess the company's position and performance, business model and strategy.

Approved by the Board of Directors on 27 March 2024 and signed on its behalf by

Gary Page

Chair

Bevis Watts

Chief Executive Officer

Financial Statements 2023

Statement of comprehensive income for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Interest income	1	88,278	53,932
Interest expense	2	(34,637)	(8,528)
Net interest income		**53,641**	**45,404**
Fee and commission income	3	4,348	4,387
Fee and commission expense	3	(2,295)	(1,985)
Net fee and commission income		**2,053**	**2,402**
Other operating (expense)/income	4	(49)	54
Total income		**55,645**	**47,860**
Personnel expenses	5	(18,185)	(14,704)
Other administrative expenses	6	(23,177)	(18,093)
Operating expenses		**(41,362)**	**(32,797)**
Impairment loss on financial instruments	26	(11,368)	(4,862)
Profit on ordinary activities before tax		**2,915**	**10,201**
Tax on profit on ordinary activities	8	(127)	(997)
Profit and total comprehensive income		**2,788**	**9,204**

All profits are from continuing activities and no other comprehensive income.

Accounting policies on pages 78 - 87 and Notes on pages 88 - 128 form an integral part of these financial statements.

Balance sheet as at 31 December 2023

	Note	31-Dec-23 £'000	31-Dec-22 £'000
Assets			
Cash and cash equivalents	9	282,378	359,906
Loans and advances to credit institutions	10	31,575	34,611
Loans and advances to customers	11	1,111,377	1,121,305
Debt securities	12	456,689	345,801
Intangible fixed assets	13	927	1,162
Property, plant and equipment	14	11,230	11,624
Right of use assets	15	912	1,049
Deferred tax asset	16	288	235
Current tax asset	8	640	-
Other assets	17	1,799	1,139
Total assets		**1,897,815**	**1,876,832**
Liabilities			
Deposits from credit institutions	18	18,008	24,692
Customer accounts	19	1,664,051	1,641,905
Debt issued	20	5,736	5,733
Lease liabilities	15	950	1,080
Current tax	8	-	317
Other liabilities	21	12,730	6,674
Provisions	22	255	334
Total liabilities		**1,701,730**	**1,680,735**
Equity			
Called up share capital	23	172,000	172,000
Merger Reserve		55	55
Retained earnings		24,030	24,042
Total equity		**196,085**	**196,097**
Total equity and liabilities		**1,897,815**	**1,876,832**

Accompanying Notes on pages 88 - 128 form an integral part of these financial statements.

The financial statements of Triodos Bank UK Limited (registered number 11379025) on pages 72 - 77 were approved by the Board of Directors and authorised for issue on 27 March 2024. They were signed on its behalf by:

Gary Page

Chair

Bevis Watts

Chief Executive Officer

Statement of changes in equity for the year ended 31 December 2023

	Share capital £'000	Merger Reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022	**172,000**	**55**	**14,838**	**186,893**
Total profit and comprehensive income	-	-	9,204	9,204
Prior year dividend paid	-	-	-	-
At 31 December 2022	**172,000**	**55**	**24,042**	**196,097**
Total profit and comprehensive income	-	-	2,788	2,788
Prior year dividend paid	-	-	(2,800)	(2,800)
At 31 December 2023	**172,000**	**55**	**24,030**	**196,085**

Accompanying Notes on pages 88 - 128 form an integral part of these financial statements.

Retained earnings represent the cumulative profits arising from the normal course of business.

The merger reserve was formed as a result of the transfer of the assets and liabilities of the UK branch of Triodos Bank N.V. to Triodos Bank UK Limited on 1 May 2019.

Cash flow statement for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Cash flow from operating activities			
Profit before tax		2,915	10,201
Adjustments for:			
Depreciation and amortisation		1,045	1,022
Loss on fixed asset disposal		20	5
Debt securities premium and discount amortisation		(1,710)	82
(Decrease)/Increase in ECL on financial instruments		(787)	4,262
Write off of financial instruments		12,308	-
Decrease in provisions		(80)	(527)
Interest on lease liabilities		39	36
Tax expense		(127)	(997)
Cash flow from business operations		**13,623**	**14,084**
Changes in net operating assets:			
(Increase)/decrease in loans and advances to customers		(1,593)	6,563
(Increase)/decrease in deferred tax asset		(53)	3
(Increase)/decrease in other assets		(660)	604
(Decrease) in deposits from credit institutions		(6,684)	(3,207)
Increase in deposits from customers		22,145	34,303
(Decrease) in current tax liability		(957)	(66)
Increase in other liabilities		6,056	2,788
Cash flow from operating activities		**31,877**	**55,072**
Cash flow from investment activities			
Investment in intangible assets		(5)	(200)
Investment in property and equipment		(294)	(342)
Investment in debt securities		(162,400)	(106,096)
Sale of debt securities		-	-
Maturity of debt securities		55,000	29,000

	Note	2023 £'000	2022 £'000
(Increase)/decrease in interest receivable on debt securities		(1,777)	249
Cash flow used in investment activities		**(109,476)**	**(77,389)**
Cashflow from financing activities			
Dividends paid		(2,800)	-
Payment of lease liabilities		(168)	(160)
Increase/(decrease) in debt issued and borrowed funds		3	(4)
Cash flow used in financing activities		**(2,965)**	**(164)**
Net cash flow		**(80,564)**	**(22,481)**
Cash and cash equivalents at the beginning of the year/period		394,517	416,998
Cash and cash equivalents at the end of the year/period		313,953	394,517
Represented by:			
Cash and cash equivalents	9	282,378	359,906
On demand deposits with credit institutions	10	30,472	33,412
Other loans and advances to credit institutions	10	1,103	1,199

Accompanying Notes on pages 88 - 128 form an integral part of these financial statements.

Accounting Policies

General
Triodos Bank UK Limited (Triodos Bank UK) is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Bank's registered office is Deanery Road, Bristol, BS1 5AS, and it is a wholly owned subsidiary of Triodos Bank N.V., a company incorporated in the Netherlands.

The Bank's principal activity is to finance companies, institutions and projects that add cultural value and benefit people and the environment, with the support of depositors and investors who want to encourage socially responsible business and a sustainable society.

The principal accounting policies are summarised below and have been applied consistently throughout the year.

Basis of preparation
The Directors present the financial statements of Triodos Bank UK Limited for the year ended 31 December 2023. The financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

The financial statements are presented on the historical cost basis.

At the time of approving the financial statements, the directors have a reasonable expectation that the Bank has adequate resources to continue in operation for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

All financial information presented in the financial statements has been rounded to the nearest thousand pounds unless otherwise stated.

The following did not apply in the year: new and revised accounting pronouncements; changes to accounting standards applicable to Triodos Bank UK. The early adoption of new accounting standards is not anticipated in the following year.

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as a parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included in the full consolidation in the consolidated financial statements of its ultimate parent Triodos Bank N.V., a company incorporated in the Netherlands.

Foreign currency transactions
The functional and presentational currency of the Bank is pound sterling as it is the currency of the primary economic environment in which the Bank operates.

Transactions in foreign currencies are recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on the settlement of foreign currency transactions and from the translation of monetary assets and liabilities are reported in Other operating income or expense.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Revenue recognition
A. Net interest income
Interest income or expense on financial instruments is determined using the effective interest rate method. The effective interest rate allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount.

Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the effective interest rate to the gross carrying amount. When a financial asset becomes credit-impaired and is therefore regarded as in Stage 3 of the expected credit loss model, the interest income is calculated by applying the effective interest rate to the net amortised cost.

B. Fee and commission income
Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer, in line with the requirements of International Financial Reporting Standard 15 (IFRS 15). The arrangements are always contractual and the cost of providing the service is incurred as each service is performed. The price is usually fixed and always determinable. The below table explains the different fee income categories involved when income is recognised.

Type of service	Nature and timing of satisfaction of performance obligations	Income recognition
Payment transactions	Fees charged for processing payment transactions of customers. Fees are charged when the transaction is processed.	Income related to transactions is recognised at the point in time when the transaction takes place.
Lending	These comprise non-utilisation fees and other non-material fees. Performance obligation is satisfied for non-utilisation fees when the facility has been held available as contractually agreed.	Non-utilisation fees are recognised over time based on amounts contractually due for holding facilities available.
Fund Distribution	Fees taken for distribution of the funds of Triodos Investment Management B.V., a group company, in the UK. Fees are calculated based on the value of funds under management on a daily basis and paid monthly.	Fees are recognised at the point that they are paid.
Corporate Finance	These comprise fees for capital raising advisory and modelling work. For each of these fee categories, contracts may contain several performance obligations.	Values are allocated to each performance obligation at inception of the contract, and revenue is recognised on completion of each performance obligation.

Personnel expenses
Short-term co-worker benefits, such as salaries, paid absences, other benefits and social security costs are accounted for on an accruals basis over the period in which the co-workers provide the related services.

The Bank operates a defined contribution pension plan. The commitment to the participating co-workers consists of paying any outstanding contribution. Co-worker contributions are optional, and employer contributions amount to between 8% and 10%. These contributions are recorded as an expense under personnel expenses. Contributions that are due but have not yet been paid are recorded as liabilities.

Financial instruments
The Bank recognises financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, initially on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market. Loans and advances to customers

are recognised when funds are transferred to the customers' accounts. The Bank recognises deposits from customers when funds are received.

On initial recognition, financial instruments are measured at fair value. Subsequently they are classified in one of the following categories. Financial liabilities cannot be reclassified. Financial assets are only reclassified where there has been a change in the business model.

Designated as at fair value through profit or loss
A financial instrument may be designated as at fair value through profit or loss only if such designation:
- eliminates or significantly reduces a measurement or recognition inconsistency;
- applies to a group of financial assets, financial liabilities or both, that the Bank manages and evaluates on a fair value basis; or
- relates to a financial liability that contains an embedded derivative which is not evidently closely related to the host contract.

Financial assets that are designated on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss, and are subsequently measured at fair value. Gains and losses are recognised in profit or loss as they arise.

Amortised cost assets
A financial instrument may be measured at amortised cost if:
- the asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

Assets designated at fair value through other comprehensive income
An equity instrument may be designated irrevocably at fair value through other comprehensive income. Other assets must meet both of the following criteria:
- the asset is held within a business model whose objective is both to hold assets to collect contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

Fair value through profit or loss
A financial liability is measured at fair value if it arises from: a financial guarantee contract; a commitment to lend at below market rates; an obligation arising from the failed sale of an asset; or a contingent consideration for a business acquisition. Fair value through profit or loss is the default classification for a financial asset.

Amortised cost liabilities
All financial liabilities that are not subsequently measured at fair value are measured at amortised cost.

<u>Application</u>
To determine the appropriate method for subsequent measurement, an assessment is made of the business model of each portfolio of financial instruments. Business models are assessed at portfolio level, being the level at which they are managed. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives of the portfolio, its risk management and the ability to monitor sales of assets from a portfolio. The criteria for classifying cash flows as solely principal and interest are assessed against the contractual terms of a facility, with attention to leverage features; prepayment and extension terms; and triggers that might reset the effective rate of interest.

All of the Bank's financial instruments are measured at amortised cost less impairment allowance where applicable.

Impairment of financial assets
At each balance sheet date each financial asset and off-balance sheet liability is assessed for impairment. Loss allowances are calculated for all financial assets and off-balance sheet liabilities, regardless of the default status. These are classified into the following categories in line with IFRS 9:
- Stage 1: Assets that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month expected credit loss (ECL) is recognised and interest income

is calculated on the gross carrying amount of the asset. 12-month ECLs are the expected credit losses that result from default events that are expected within 12 months after the reporting date.
- Stage 2: For assets that have experienced a significant increase in credit risk since initial recognition, but have not defaulted, lifetime ECLs are recognised, and interest income is still calculated on the gross carrying amount of the asset. Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3: For assets that have defaulted at the reporting date, lifetime ECLs are recognised and interest income is calculated on the net carrying amount.
- Purchased or originated credit-impaired (POCI): For assets that have objective evidence of impairment at purchase or origination, lifetime ECLs are recognised, and interest income is calculated using the credit-adjusted effective interest rate on the net carrying amount.

All corporate loans in the portfolio are periodically reviewed on an individual basis to assess creditworthiness. The frequency depends on the debtor's creditworthiness as assessed at the prior review, the degree of market exposure and the market in which the debtor operates. The credit committee discusses and, if necessary, takes action with respect to overdue payments from debtors. If there is any doubt regarding the continuity of the debtor's core operations and/or a debtor fails to settle agreed interest and repayment instalments for a prolonged period, this debtor falls under the category of doubtful debtors and will be managed intensively, resulting in more frequent monitoring.

Expected credit losses are a probability weighted estimate of credit losses, considering various macro-economic scenarios.

Significant increase in credit risk

When determining whether the risk of default on a financial asset or off-balance sheet liability has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by assessing the following triggers:
- Comparing the Probability of Default (PD) as at the reporting date with the PD at the time of initial recognition of the exposure;
- Forborne status;
- Management intensity;
- Past due status; and
- Being a purchased or originated credit-impaired (POCI) product, that became performing again.

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:
- quantitative test based on movement in PD;
- qualitative indicators, for example developments in the sector; and
- a backstop of 30 days past due.

For corporate loans the Bank determines PD based on its internal credit rating system, which comprises 14 grades, each of which corresponds to a PD. The use of these grades is explained further in the Critical judgements and estimates accounting policy.

Corporate loans are assessed at inception and then periodically, and movements in internal credit rating provide the basis to determine whether a significant increase in credit risk has occurred. The credit quality of all counterparties is reviewed and rated at least annually. In addition, the Bank's focus on relationship management supports early identification of risk factors. The Bank's approach to determining whether a significant increase in credit risk has occurred is, in large part, based on its internal credit rating system.

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying judgement of experienced credit risk professionals. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files e.g., audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management and senior management changes. • Data from credit reference agencies, press articles and changes in external credit ratings. • Quoted bond and Credit Default Swap (CDS) prices for the borrower where available. • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	• Internally collected data on customer behaviour e.g., utilisation of overdraft facilities. • Affordability metrics. • External data from credit reference agencies, including industry-standard credit scores.	• Payment record – this includes overdue status as well as a range of variables about payment ratios. • Utilisation of the granted limit. • Requests for and granting of forbearance. • Existing and forecast changes in business, financial and economic conditions.

The internal credit rating system comprises 14 ratings as explained in the Impairment of financial assets accounting policy:

- Loans with initial ratings 1-3 are considered to exhibit a significant increase in credit risk if they are downgraded by four grades;
- Loans with initial ratings 4-7 are considered to exhibit a significant increase in credit risk if they are downgraded by three grades;
- Loans with initial ratings 8-9 are considered to exhibit a significant increase in credit risk if they are downgraded by two grades;
- Loans with initial ratings 10-12 are considered to exhibit a significant increase in credit risk if they are downgraded by one grade; and
- Loans with ratings of 14 are considered to be in default. Therefore a downgrade of a loan with rating 13 would put it in default.

Definition of default
In line with its Default, Forbearance and Provisioning Policy, the Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The borrower is more than 90 days past due on any material credit obligation to the Bank.

Financial assets are considered to be past due when any amount of principal, interest or fee has not been paid at the date it was due. Materiality is relative to the size of the exposure.

Overdrafts are considered as being past due when:

- The customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:
- Qualitative: e.g., breaches of covenant;
- Quantitative: e.g., overdue status and non-payment on another obligation of the same issuer to the Bank; and
- Based on both data developed internally and data obtained from external sources.

Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect changes in circumstances.

Generating the term structure of PD
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by sector and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Write-offs
Financial assets are written off when the Bank concludes that there is no longer any realistic prospect of recovery of part or all of the financial asset. For loans that are individually assessed for impairment, the timing of write off is determined on a case-by-case basis. Such loans are reviewed regularly and written off when no further cash flows are expected.

Modified assets and liabilities
The Bank can make concessions or modifications to original terms of loans as a response to a borrower's request or financial difficulties.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate (EIR), the Bank records a modification gain or loss. A modification is considered to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial asset of, or greater than, ten percent. Modified loans that had a prepayment clause with no or insignificant prepayment fee in their original terms, and modified loans for which the contractual prepayment fee was paid upon modification are considered to be prepaid and are therefore derecognised.

Derecognition due to substantial modification of terms and conditions
The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit-impaired at recognition date triggering POCI classification.

When assessing whether to derecognise a loan to a customer, amongst others the Bank considers the following qualitative factors:
- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion; and
- Restructuring.

If the difference between the net present value of the modified cash flows using the original effective interest rate and the carrying value is equal to or great than ten percent of the carrying value, the modification is also deemed substantial.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk, including classification as Stage 3.

Forbearance

When the borrower is in financial difficulty, rather than taking possession or otherwise enforcing collection of collateral, loan terms can be modified. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy.

Indicators of financial difficulties include defaults on covenants or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer must meet all of the following criteria:

- All of its facilities have to be performing;
- The probation period of 24 months has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period; and
- The customer does not have any contracts that are more than 30 days past due.

Cash and cash equivalents

On the balance sheet, cash and cash equivalents comprise cash with central banks. Loans and advances to credit institutions with an original maturity of less than three months are additionally included in the cash flow statement.

Cash and cash equivalents are carried at amortised cost on the balance sheet.

Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss over the asset's estimated economic life using methods that best reflect the pattern of economic benefits. These estimated useful economic lives are:

- Internally developed assets: 5 to 10 years
- Computer software: 3 to 5 years

Direct costs relating to internally developed assets are capitalised once technical feasibility and economic viability have been established. These costs include co-worker costs and the costs of materials and services. Capitalisation of costs ceases when the asset is capable of operating as intended.

During and after development, accumulated costs are reviewed for impairment against the benefits that the asset is expected to generate. Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to profit or loss on a straight-line basis so as to write off the depreciable amount of each item of property, plant and equipment over its estimated useful life. The depreciable amount is the cost of an asset less its residual value.

The estimated useful lives of the Bank's property, plant and equipment are:

- Property for own use: 40 years (or lease term if shorter)
- Plant and equipment: 3 to 5 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

Leases

As a lessee

The Bank assesses whether a contract is or contains a lease, at inception of a contract. The Bank recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- Lease payments to be made under extension options, when it is reasonably certain that the option will be used.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to restore a leased asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right of use assets are depreciated over the shorter of lease term or useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Bank expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The impacts on profit or loss are the depreciation charges on the right of use assets and the interest charges on the lease liabilities.

As a lessor

The Bank enters into lease agreements as a lessor with respect to some of its office space.

Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The Bank does not act as a lessor for any finance leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration under the contract to each component.

Impairment of intangible assets, property, plant and equipment, and right of use assets

At each balance sheet date, the Bank assesses whether there is any indication that its intangible assets, property, plant and equipment or right of use assets are impaired. If any such indication exists, it estimates the recoverable amount of the asset and the impairment loss if any.

If an asset does not generate cash flows that are independent from those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been taken into account in estimating future cash flows. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill cannot be reversed.

Provisions and contingent liabilities

The Bank recognises a provision when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable, or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Tax

Income tax expense, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in profit or loss or equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the asset will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Deferred tax assets and liabilities are offset where the Bank has a legally enforceable right to offset, and where they relate to income taxes levied by the same taxation authority.

Critical judgements and estimates
UK company law and UK-adopted international accounting standards require the Board, in preparing the financial statements, to select suitable accounting policies, apply them consistently and where necessary make judgements and estimates that are reasonable and prudent. The Bank's reported results are sensitive to the accounting policies, judgements and estimates that underlie the preparation of its financial statements.

Judgements and estimates are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods.

The judgements and estimates that, in the opinion of the directors, have the most significant effect on the amounts recognised in the financial statements are discussed below, and relate to loan impairment. See the Impairment of financial assets accounting policy for an explanation of the calculation of impairment of financial assets under IFRS 9.

The measurement of credit impairment under the expected credit loss model depends on management's assessment of whether a significant increase in credit risk has occurred for each loan, its economic forecasts including the probability of each of these, and its modelling of expected performance of each loan in each economic scenario.

Stage 3 impairments are assessed on an exposure-by-exposure basis using a probability weighted financial impact assessment. This is calculated across the range of potential resolutions for each individual defaulted exposure (such as Cure, Normal Sale or Forced Sale) and includes consideration of collateral valuation (based on the Collateral Valuation Policy and using external valuation, where necessary) adjusted by estimated applicable selling costs and categorised asset quality to derive expected sale proceeds.

A. Key Judgement: Valuation of Collateral
As noted above, stage 3 ECLs are assessed on an individual basis by the Special Asset Management (SAM) team using a specific provision calculator for each specific client based on different scenarios which include multiple economic scenarios, recovery values based on the valuation of collateral.

These assessments contain specific multiple economic scenarios based on cure, voluntary sale and forced sale scenarios based on the individual characteristics associated with each case.

Loans classified as stage 3 were £68.2m (2022: £71.4m) and provisions on those loans totalled £8.8m (2022: £8.3m). In assessing the provision values, the critical judgement is deemed to be collateral valuation where sensitivity analysis has been performed across the stage 3 portfolio.

From the sensitivity analysis performed, a 5% fall in collateral would have a £0.7m ECL impact and a 10% fall would cause a £1.6m ECL impact. A 5% increase in collateral value would then have a £1.0m ECL impact and a 10% increase would have a £1.7m ECL impact.

Notes to the Financial Statements

1. Interest income

An analysis of the company's revenue is as follows:

	2023 £'000	2022 £'000
Cash and cash equivalents	16,452	4,686
Loans and advances to credit institutions	110	18
Loans and advances to customers	65,440	46,055
Debt securities	6,276	3,173
	88,278	**53,932**

The interest income includes that derived from loans and related transactions, as well as related commissions, which by their nature are similar to interest payments.

Interest income can be broken down by geography as follows:

			2023		
	UK £'000	Ireland £'000	Other EU £'000	USA £'000	Total £'000
Cash and cash equivalents	16,452	-	-	-	16,452
Loans and advances to credit institutions	110	-	-	-	110
Loans and advances to customers	64,677	763	-	-	65,440
Debt securities	3,003	-	2,709	564	6,276
	84,242	**763**	**2,709**	**564**	**88,278**

			2022		
	UK £'000	Ireland £'000	Other EU £'000	USA £'000	Total £'000
Cash and cash equivalents	4,686	-	-	-	4,686
Loans and advances to credit institutions	24	(6)	-	-	18
Loans and advances to customers	45,186	869	-	-	46,055
Debt securities	1,685	-	1,488	-	3,173
	51,581	**863**	**1,488**	**-**	**53,932**

Income in Ireland is earned on a portfolio of loans and advances to customers with a value of £17.0 million at 31 December 2023 (2022: £22.8 million). This income stream is not affected by the UK's departure from the European Union.

2. Interest expense

	2023 £'000	2022 £'000
Deposits from credit institutions	277	96
Customer accounts	34,100	8,184
Lease liability	21	20
Bond interest	228	228
Other	11	-
	34,637	**8,528**

3. Net fee and commission income

	2023 £'000	2022 £'000
Payment transactions including personal current account fees	1,645	1,581
Lending	1,124	1,305
Guarantee fees	14	18
Fund distribution	973	763
Corporate finance fees	592	720
Total fee and commission income	**4,348**	**4,387**
Payment transactions including personal current account fees	1,836	1,597
Corporate finance fees	48	44
Lending	411	344
Total fee and commission expense	**2,295**	**1,985**

4. Other operating income

	2023 £'000	2022 £'000
Rental income from property leases	28	23
Exchange results for foreign currency transactions	(72)	50
Other	(5)	(19)
	(49)	**54**

5. Personnel expenses

	2023 £'000	2022 £'000
Wages and salaries	15,390	12,427
Social security costs	1,462	1,224
Other pension costs	1,333	1,053
	18,185	**14,704**

The Bank employs some co-workers who work for other group companies, and other group companies employ some co-workers who work for the Bank. These costs are recharged including a mark-up, as appropriate. Intercompany co-worker recharges represent the net of the income earned from charging intercompany entities for the time of the Bank's co-workers, less the cost of paying for co-workers recharged to the Bank.

Average number of co-workers during the period:

	2023	2022
Executive directors	2	1
Full-time	253	218
Part-time	62	59
	317	**278**

The pension scheme is a defined contribution scheme that has been placed with a life insurance company in the United Kingdom, with funds invested in socially responsible investment funds. The commitment to the participating co-workers consists of paying any outstanding contribution to the pension scheme.

Participation in the pension scheme is optional – co-workers are automatically enrolled but can choose to opt out. Regardless of co-worker contribution the Bank's contribution is 8% of salary, increasing to 10% after the first year of service. Co-workers may contribute any amount of their choosing.

The total cost charged to profit and loss of £1,333,000 (2022: £1,053,000) represents contributions payable by the Bank to the scheme at rates specified in the rules of the scheme. As at 31 December 2023 £154,000 of contributions due in respect of the current year that have not yet been paid over to the scheme were included in Other payables (2022: £126,000).

Directors' remuneration

The remuneration of the directors, who are the key management personnel of the Bank, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2023 £'000	2022 £'000
Short-term employee benefits	541	332
Post-employment benefits	35	19
	576	**351**

Two directors are accruing benefits under a money purchase pension scheme (2022: one).

Information about the highest paid director during the year ended 31 December 2023 is as follows:

	2023 £'000	2022 £'000
Short-term employee benefits	203	196
Post-employment benefits	19	19
	222	**215**

6. Other administrative expenses

	2023 £'000	2022 £'000
IT costs	453	431
Intercompany IT costs	6,804	5,338
Intercompany recharges	5,271	3,596
Marketing costs	1,114	577
Office costs	1,396	1,422
Accommodation expenses	726	729
Fees for advice and auditor	2,813	1,600
External administration costs	543	1,108
Financial Services Compensation Scheme Levy	113	87
Travel and lodging expenses	224	136
Depreciation and amortisation	1,045	1,022
Other costs	2,675	2,047
	23,177	**18,093**

In the current year, IT costs have been split between IT services provided by Triodos Bank N.V. and external IT costs.

Additionally, in previous periods, depreciation and amortisation has been included across IT costs , office costs and accommodation expenses. In 2023, depreciation and amortisation has been mapped to its own line and the prior period remapped for comparative purposes.

7. Auditors' fees

	2023 £'000	2022 £'000
Statutory audit	224	210
CASS audit	150	148
Other assurance work	35	28
	409	**386**

8. Tax on profit on ordinary activities

	2023 £'000	2022 £'000
Corporation tax:		
Current year	66	1,021
Adjustments in respect of prior years	114	(27)
	180	**994**
Deferred tax (see Note 16)		
Origination and reversal of temporary differences	(53)	3
	(53)	**3**
Total tax expense	**127**	**997**

Reconciliation of effective tax

The tax on the Bank's profit before tax differs (2022: differs) from the theoretical amount that would arise using the corporation tax rate in the UK as follows:

	2023 £'000	2022 £'000
Profit before tax on continuing operations	2,915	10,201
Statutory tax rate	23.5%	19.0%
Tax at the UK corporation tax rate	685	1,938
Tax effect of non-deductible expenses in determining taxable profit	197	126
Tax effect of non-taxable income in determining taxable profit	(151)	(159)
Community investment tax relief	(665)	(884)
Adjustments in respect of prior years	114	(27)
(Increase)/Decrease in carrying value of deferred tax asset	(53)	3
Total tax expense	**127**	**997**
Effective tax rate	**4.3%**	**9.8%**
Effective tax rate excluding CITR	**27.2%**	**18.4%**

The main rate of corporation tax increased to 25% from 19% on 1 April 2023. The tax expense for the year is lower than would be implied by the current statutory tax rate due to lending that qualifies for Community Investment Tax Relief (CITR). The CITR scheme encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and other enterprises in less advantaged areas by investing in accredited Community Development Finance Institutions (CDFIs). The Bank has made such investments. The tax relief is worth up to 25% of the value of the investment in the CDFI. The relief is spread over five years, starting with the year in which the investment is made.

The Bank invests in CDFIs because it believes in the benefits they provide to the communities in which they operate. The tax relief it obtains enables the Bank to provide investment to the CDFIs at a low margin while also maintaining an appropriate return to the Bank on the investment. The tax relief obtained is provided strictly in accordance with UK tax law which has been made available to encourage this activity and careful consideration is taken to ensure the Bank does not achieve a return higher than would be expected if the tax relief had not been obtained.

Total tax borne

The table below sets out the amount of tax borne by the Bank in the year in respect of each of the most significant taxes.

	2023	**2022**
	£'000	**£'000**
Corporation tax	1,146	1,059
Irrecoverable VAT	3,692	3,092
Employer's NI	1,439	1,236
Business rates	130	272
Total tax borne	**6,407**	**5,659**

All figures represent amounts paid to HMRC except for irrecoverable VAT, which is the non-deductible VAT paid on invoices to suppliers.

The Bank's approach to tax reflects its values. It sees paying taxes not as a burden, but as a contribution to the society in which the Bank operates. Taxes are an important instrument to fund essential public services such as education, healthcare, social support and infrastructure. As such, companies should pay taxes as an important part of their role as a responsible business.

9. Cash and cash equivalents

	31-Dec-23	**31-Dec-22**
	£'000	**£'000**
Cash with the Bank of England	278,458	355,967
Mandatory reserve with the Bank of England	3,920	3,939
Balance sheet value as at 31 December	**282,378**	**359,906**

Cash at the Bank of England is held on demand, except for the mandatory reserve within the Cash Ratio Deposit (CRD) scheme, which is encumbered. The CRD scheme will be replaced by the Bank of Engand Levy in 2024.

10. Loans and advances to credit institutions

Amounts falling due within one year:

	31-Dec-23 £'000	31-Dec-22 £'000
On demand deposits with credit institutions	30,472	33,412
Other loans and advances to credit institutions	1,104	1,200
Expected Credit Loss	(1)	(1)
Balance sheet value as at 31 December	**31,575**	**34,611**

11. Loans and advances to customers

	31-Dec-23			31-Dec-22		
	Gross carrying amount £'000	ECL allowance (Note 26) £'000	Carrying amount £'000	Gross carrying amount £'000	ECL allowance £'000	Carrying amount £'000
Corporate loans	1,116,027	(9,665)	1,106,362	1,128,063	(10,429)	1,117,634
Current accounts	5,067	(52)	5,015	3,745	(74)	3,671
Total	**1,121,094**	**(9,717)**	**1,111,377**	**1,131,808**	**(10,503)**	**1,121,305**

12. Debt Securities

	31-Dec-23 £'000	31-Dec-22 £'000
Issued by public bodies	171,574	154,662
Issued by other issuers	285,118	191,142
Expected credit loss	(3)	(3)
Balance sheet value as at 31 December	**456,689**	**345,801**

All debt securities are listed.

The balance sheet value of debt securities excluding expected credit loss provision can be broken down as follows:

31 December 2023	Term of maturity less than a year £'000	Term of maturity more than a year £'000
Public bodies		
Central Government	70,669	100,905
Regional Government and Public Sector Entities	19,898	40,207
Total public bodies	**90,567**	**141,112**
Other issuers		
Credit Institutions	5,219	77,296
Corporate Debt Securities	48	9,312
Multilateral Development Banks	1,289	131,849
Total other issuers	**6,556**	**218,457**
Total	**97,123**	**359,569**

31 December 2022	Term of maturity less than a year £'000	Term of maturity more than a year £'000
Public bodies		
Central Government	60,341	94,322
Regional Government and Public Sector Entities	5	19,541
Total public bodies	**60,346**	**113,863**
Other issuers		
Credit Institutions	5,110	63,506
Corporate Debt Securities	48	9,349
Multilateral Development Banks	20,227	73,355
Total other issuers	**25,385**	**146,210**
Total	**85,731**	**260,073**

The movement in debt securities in the year is as follows:

	2023 £'000	2022 £'000
Balance sheet value as at 1 January	345,801	269,035
Purchases	200,000	110,000
Sales	-	-
Maturity	(85,000)	(29,000)
Net premium and discount amortisation	(5,889)	(3,986)
Interest receivable movement	1,777	(249)
Expected credit loss movement	-	1
Balance sheet value as at 31 December	**456,689**	**345,801**

13. Intangible fixed assets

	Internally Developed Assets £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2022	1,977	95	**2,072**
Additions from internal development	130	70	**200**
Disposals	-	(50)	**(50)**
At 31 December 2022	**2,107**	**115**	**2,222**
Additions from internal development	-	5	**5**
Disposals	-	-	**-**
At 31 December 2023	**2,107**	**120**	**2,227**
Accumulated amortisation			
At 1 January 2022	(835)	(54)	**(889)**
Amortisation charge for the year	(194)	(24)	**(218)**
Disposals	-	47	**47**
At 31 December 2022	**(1,029)**	**(31)**	**(1,060)**
Amortisation charge for the year	(211)	(29)	**(240)**
Disposals	-	-	**-**
At 31 December 2023	**(1,240)**	**(60)**	**(1,300)**
Carrying amount			
At 31 December 2022	**1,078**	**84**	**1,162**
At 31 December 2023	**867**	**60**	**927**

Internally developed assets
The internally developed assets relate to development of the Bank's personal current account offering as well as the development of Triodos Bank UK's in-house investments platform which went live in December 2022.

These assets have an expected useful economic life of ten years. The remaining useful economic life of the assets as at 31 December 2023 is four and nine years for the personal current account offering and the in-house investments platform respectively.

Computer software
Computer software relates to software that has been purchased or internally developed. Computer software has a finite useful economic life of three years.

General
There are no restrictions on the title of intangible assets and no intangible assets have been pledged as security for liabilities.

Amortisation of intangible assets is included in Other administrative expenses in the Statement of Comprehensive Income.

No research and development expenditure has been incurred during the year (2022: £nil).

14. Property, plant and equipment

	Property for own use £'000	Plant and Equipment £'000	Total £'000
Cost			
At 1 January 2022	14,655	1,845	**16,500**
Additions	164	163	**327**
Disposals	-	(16)	**(16)**
At 31 December 2022	**14,819**	**1,992**	**16,811**
Additions	128	148	**276**
Disposals	-	(29)	**(29)**
At 31 December 2023	**14,947**	**2,111**	**17,058**
Accumulated depreciation			
At 1 January 2022	(3,029)	(1,514)	**(4,543)**
Depreciation charge for the year	(461)	(197)	**(658)**
Disposals	-	14	**14**
At 31 December 2022	**(3,490)**	**(1,697)**	**(5,187)**
Depreciation charge for the year	(464)	(186)	**(650)**
Disposals	-	9	**9**
At 31 December 2023	**(3,954)**	**(1,874)**	**(5,828)**
Net book value			
At 31 December 2022	**11,329**	**295**	**11,624**
At 31 December 2023	**10,993**	**237**	**11,230**

There are no restrictions on title on property, plant and equipment. Property, plant and equipment has not been pledged as security for liabilities.

15. Leases

The Bank has three land and building leases for its office space for which right of use assets and lease liabilities are recognised. The bank does not recognise right of use assets or lease liabilities for any other class of leases.

The property in Edinburgh is held on a lease of ten years from August 2014. The property in London is held on a lease of one year from March 2020 renewed annually. The Bank owns the property in Bristol, but the land on which it is built is held on a long leasehold from Bristol City Council for 150 years from September 2010. Information about these leases is shown in below.

Right of use assets

	2023 £'000	2022 £'000
Cost		
At 1 January	1,512	1,497
Additions	18	15
At 31 December	**1,530**	**1,512**
Accumulated depreciation and impairment		
At 1 January	(463)	(317)
Charge for the year	(155)	(146)
At 31 December	**(618)**	**(463)**
Net book value		
At 1 January	1,049	1,180
At 31 December	**912**	**1,049**

Lease liabilities

	2023 £'000	2022 £'000
Maturity analysis - contractual undiscounted cash flow		
Less than one year	166	161
One to five years	155	276
More than five years	915	949
Total undiscounted lease liabilities as at 31 December	**1,236**	**1,386**
Lease liabilities included in the balance sheet		
Current	137	141
Non-current	813	939
At 31 December	**950**	**1,080**

Amounts recognised in the income statement

	2023 £'000	2022 £'000
Interest on lease liabilities	21	20
Expenses of low value leases	14	7
	35	**27**

Amounts recognised in statement of cash flows
During the year £168,000 was recognised in the statement of cash flows as outflow for leases (2022: £160,000).

Other leases
The Bank also leases plant and machinery with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Bank has elected not to recognise right of use assets and lease liabilities for these leases.

Leases as lessor
The Bank leases out space at its property in Bristol. At 31 December the future minimum lease payments under non-cancellable leases were receivable as follows:

	2023 £'000	2022 £'000
Less than one year	13	13
Between one and five years	52	52
More than five years	-	13
Balance sheet value as at 31 December	**65**	**78**

During the year, lease income of £28,000 (2022:£23,000) was included in Other income.

16. Deferred tax

The movements on the deferred tax accounts are as follows:

	Fixed assets	Effective interest rate accounting	Expected credit losses	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000
Asset/(Liability) at 1 January 2022	(71)	193	116	-	238
Current year deferred tax charge	53	(47)	(9)	-	(3)
Asset/(Liability) at 31 December 2022	**(18)**	**146**	**107**	**-**	**235**
Current year deferred tax charge	68	(40)	(16)	41	53
Asset/(Liability) at 31 December 2023	**50**	**106**	**91**	**41**	**288**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised, or the liability is settled, based on tax rates that have been enacted or substantively enacted as at the Balance Sheet date.

Included in the net deferred tax asset is £111,000 (2022: £186,000) due more than twelve months after the end of the reporting period.

17. Other assets

Amounts falling due within one year:

	2023	2022
	£'000	£'000
Other receivables	608	388
Other prepayments and accrued income	1,191	751
Balance sheet value as at 31 December	**1,799**	**1,139**

The Directors consider that the carrying amount of other assets approximates their fair value.

18. Deposits from credit institutions

	2023	2022
	£'000	£'000
Repayable on demand	5,708	10,438
With agreed maturity dates or periods of notice	12,300	14,254
Balance sheet value as at 31 December	**18,008**	**24,692**

All amounts are payable to the Bank's parent, Triodos Bank N.V., which provides funding for the Bank's Euro lending. Operational balances between the Bank and Triodos Bank N.V. are included in Note 21.

19. Customer accounts

	2023 £'000	2022 £'000
Savings	1,113,339	1,012,148
Other funds entrusted	550,712	629,757
Balance sheet value as at 31 December	**1,664,051**	**1,641,905**

Savings are defined as savings accounts (with or without notice) and fixed term deposits of natural persons and non-profit institutions.

Other funds entrusted are defined as current accounts of natural persons and non-profit institutions and all accounts of governments, financial institutions and non-financial corporations.

20. Debt issued

	2023 £'000	2022 £'000
Tier 2 bonds - nominal value	5,695	5,695
Tier 2 bonds - accrued interest	41	38
Balance sheet value as at 31 December	**5,736**	**5,733**

On 23 December 2020 the Bank issued unsecured bonds with a nominal value of £5.695 million, maturing in 2030. The bonds pay a fixed interest rate of 4% until 2025, at which point the Bank may elect to repay them in full, or the interest rate will reset to 3.9% above the Bank of England base rate for the remainder of the term.

21. Other liabilities

Amounts falling due within one year:

	2023 £'000	2022 £'000
Accruals and deferred income	1,804	1,011
Amounts owed to group undertakings	1,946	784
Other taxation and social security	867	646
Other payables	8,113	4,233
Balance sheet value as at 31 December	**12,730**	**6,674**

The directors consider that the carrying amount of other liabilities approximates their fair value.

22. Provisions

	2023 £'000	2022 £'000
Vitality leave	164	91
Dilapidation	15	15
Expected credit loss on guarantees	5	8
Expected credit loss on loan commitments	71	220
Balance sheet value as at 31 December	**255**	**334**

The more significant provisions are as follows:

- The vitality leave provision is for the anticipated costs of paying salaries of co-workers whilst on vitality leave. This is two months of partially paid leave, for which co-workers become eligible upon completion of five years of service, which was reduced from 7 years service on 1 January 2023.
- The dilapidation provision is for anticipated costs of restoring the Edinburgh office at the end of the lease term.
- Expected credit loss on guarantees and expected credit loss on loan commitments are calculated in line with the requirements of IFRS 9.

The balance sheet value of provisions can be broken down as follows:

31 December 2023	**Term of maturity less than a year £'000**	**Term of maturity more than a year £'000**
Vitality leave	104	60
Dilapidation	-	15
Expected credit loss on guarantees	5	-
Expected credit loss on loan commitments	56	15
Total	**165**	**90**

31 December 2022	**Term of maturity less than a year £'000**	**Term of maturity more than a year £'000**
Vitality leave	47	44
Dilapidation	-	15
Expected credit loss on guarantees	8	-
Expected credit loss on loan commitments	85	135
Total	**140**	**194**

The movements on provisions are as follows:

	Vitality leave provision £'000	Regulatory change provision £'000	Dilapidation provision £'000	Expected credit loss guarantees £'000	Expected credit loss loan commitments £'000	Total £'000
As at 1 January 2022	**180**	**380**	**15**	**1**	**286**	**862**
Addition	-	-	-	7	-	7
Utilisation	-	(380)	-	-	-	(380)
Release	(89)	-	-	-	(66)	(155)
As at 31 December 2022	**91**	**-**	**15**	**8**	**220**	**334**
Addition	73	-	-	-	-	73
Utilisation	-	-	-	-	-	-
Release	-	-	-	(3)	(149)	(152)
As at 31 December 2023	**164**	**-**	**15**	**5**	**71**	**255**

23. Called up share capital

Allotted, called up and fully paid ordinary shares of £1 each.

	31-Dec-23 £'000	31-Dec-22 £'000
Issued share capital	172,000	172,000

All shares are ordinary share held by the parent, Triodos Bank N.V.

24. Related party transactions

Trading transactions
Balances and transactions between the Bank and its related parties other than key management personnel are disclosed below:

	Services provided		Services received	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Parent				
IT costs	-	-	6,804	5,339
Administration and co-worker costs	944	648	5,414	3,674
Loan interest	-	-	278	96
Group entities				
Administration and co-worker costs	154	144	63	-
Other related parties				
Loan interest	11	27	-	-
Customer accounts interest and other charges	2	1	6	5
Donations	-	-	7	10
	1,111	**820**	**12,572**	**9,124**

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	£'000	£'000	£'000	£'000
Parent	-	-	19,582	25,381
Group entities	-	7	-	-
Other related parties	138	178	178	225
	138	**185**	**19,760**	**25,606**

Parent company
The Bank’s immediate and ultimate parent undertaking is Triodos Bank N.V., which provides various services to the Bank, including IT systems, technical expertise and management oversight. It also provides an intercompany borrowing facility to fund the Bank's lending in Euros. The Bank employs co-workers who perform work for the parent. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

Group entities
The Bank employed one co-worker who performed work for Triodos Investment Management B.V., a group entity. The Bank was reimbursed in full for these salary costs and associated overhead costs. All transactions are made on terms equivalent to those that prevail in arm's length transactions.

Other related parties
Triodos Foundation is a charity registered in England and Wales (company no. 03128749), all of whose trustees are employees of the Bank. It rents an office floor from the Bank for £1 per annum, which it uses as

an event space for local businesses and charities, including the Bank, to hire, and uses income from this to support its charitable activities. Triodos Foundation holds a deposit account with the Bank, the balance of which was £87,000 (2022: £151,000) at the year end. The value of transactions between Triodos Foundation and the Bank during the year was £13,000 (2022: £14,000).

Triodos Investments Limited is a private company registered in England and Wales (company no. 2822816), all of whose directors are employees of the Bank, including CEO Bevis Watts. It holds 100% of the ordinary share capital of Sun Roof Limited and provides a bank guarantee limited to £385,000 over all of the assets and undertakings of Sun Roof Limited present and future. Triodos Investments Limited holds a savings account and a current account with the Bank, the total balance of which was £12,000 (2022: £11,000) at the year end. The value of transactions between Triodos Investments Limited and the Bank during the year was £2,000 (2022: £2,000).

Sun Roof Limited is a private company registered in England and Wales (company no. 07198329), two of whose directors are employees of the Bank. It produces electricity from photovoltaic systems and is a wholly owned subsidiary of Triodos Investments Limited. Sun Roof Limited has a loan with the Bank, the outstanding balance of which was £138,000 (2022: £178,000) at the year end. It also holds a savings account with a balance of £31,000 (2022: £11,000) and a current account with a balance of £48,000 (2022: £53,000). The gross amount of loan repayments made by Sun Roof Limited to the Bank during the year was £41,000 (2022: £42,000).

Transactions with key management personnel
For the purpose of IAS 24 "Related Party Disclosures", key management comprises the directors of the Bank.

Please refer to Note 5 for information on directors' remuneration.

At the year end, customer accounts with an aggregate value of £233,000 (2022: £158,000) were attributable to the directors. Additionally, one director has a controlling interest in a property management company for their leasehold residence which holds a current account with Triodos Bank UK with a balance of £1,300 at the year end.

25. Off-balance sheet liabilities

Contingent liabilities
These comprise credit-substitute guarantees and non-credit-substitute guarantees where the potential liability is based on the occurence of specific future events which make the timing of the liability uncertain.

Credit substitute guarantees are guarantees to customers for loans provided to these customers by other banks.

Non-credit substitute guarantees are guarantees to customers for all other obligations of these customers to third parties. For example:
- Obligations to purchase sustainable goods, such as wind turbines; and
- Obligations to decommission equipment or reinstate property (related to project finance provided by the Bank).

	31-Dec-23	31-Dec-22
	£'000	£'000
Credit substitute guarantees	1,501	1,501
Non-credit substitute guarantees	1,026	1,092
	2,527	**2,593**

Irrevocable facilities
These are irrevocable offers, which may lead to a loan.

	31-Dec-23	31-Dec-22
	£'000	£'000
Undrawn debit limits on current accounts	11,908	13,220
Accepted loans not yet paid out	75,226	111,276
Valid loan offers not yet accepted	-	-
	87,134	**124,496**

26. Financial risk management

This Note presents information about the Bank's exposure to financial risks and management of capital. For information on the Bank's capital management, see the Capital section in the Strategic Report. For information on the Bank's definition of default, see the Bank's Default, Forbearance and Provisioning Policy. For information on the Bank's financial risk management framework, see Principal Risks and Uncertainties in the Strategic Report. Financial risk is an umbrella term for multiple types of risk associated with financing the balance sheet. To manage this, financial risk is subdivided in three categories: credit risk, liquidity risk and market risk.

a. Credit risk
For the definition of credit risk and information on how credit risk is mitigated by the Bank, see Principal Risks and Uncertainties in the Strategic Report. For the definitions of Stage 1, Stage 2 and Stage 3, and how loans are allocated to each stage, see Impairment of financial assets accounting policy.

i. Credit quality analysis
The following tables set out information about the credit quality of financial assets, loan commitments and guarantee contracts. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	31-Dec-23			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to credit institutions				
AA	6,154	-	-	6,154
A	25,422	-	-	25,422
BBB	-	-	-	-
Gross amount	**31,576**	**-**	**-**	**31,576**
Allowance for expected credit losses	(1)	-	-	(1)
Carrying amount	**31,575**	**-**	**-**	**31,575**
Loans and advances to customers				
Rating 1-9: Normal risk	915,284	96,944	-	1,012,228
Rating 10-13: Increased risk	-	29,391	-	29,391
Rating 14: Default	-	-	68,241	68,241
Not rated	7,901	3,333	-	11,234
Gross amount	**923,185**	**129,668**	**68,241**	**1,121,094**
Allowance for expected credit losses	(755)	(198)	(8,764)	(9,717)
Carrying amount	**922,430**	**129,470**	**59,477**	**1,111,377**
Debt securities				
AAA	216,256	-	-	216,256
AA	231,076	-	-	231,076
A	9,360	-	-	9,360
Gross amount	**456,692**	**-**	**-**	**456,692**
Loss allowance	(3)	-	-	(3)
Carrying amount	**456,689**	**-**	**-**	**456,689**
Loan commitments				
Gross amount	77,279	9,855	-	87,134
Loss allowance	(56)	(15)	-	(71)
Carrying amount (provision)	**(56)**	**(15)**	**-**	**(71)**

	31-Dec-23			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Financial guarantee contracts				
Gross amount	2,527	-	-	2,527
Loss allowance	(5)	-	-	(5)
Carrying amount (provision)	**(5)**	**-**	**-**	**(5)**

	31-Dec-22			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to credit institutions				
AA	2,024	-	-	2,024
A	31,927	-	-	31,927
BBB	661	-	-	661
Gross amount	**34,612**	**-**	**-**	**34,612**
Allowance for expected credit losses	(1)	-	-	(1)
Carrying amount	**34,611**	**-**	**-**	**34,611**
Loans and advances to customers				
Rating 1-9: Normal risk	665,906	338,192	-	1,004,098
Rating 10-13: Increased risk	-	42,478	-	42,478
Rating 14: Default	-	-	71,388	71,388
Not rated	7,431	6,413	-	13,844
Gross amount	**673,337**	**387,083**	**71,388**	**1,131,808**
Allowance for expected credit losses	(826)	(1,335)	(8,342)	(10,503)
Carrying amount	**672,511**	**385,748**	**63,046**	**1,121,305**
Debt securities				
AAA	143,372	-	-	143,372
AA	193,035	-	-	193,035
A	9,397	-	-	9,397
Gross amount	**345,804**	**-**	**-**	**345,804**

	31-Dec-22			
	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Loss allowance	(3)	-	-	(3)
Carrying amount	**345,801**	**-**	**-**	**345,801**
Loan commitments				
Gross amount	84,223	40,273	-	124,496
Loss allowance	(85)	(135)	-	(220)
Carrying amount (provision)	**(85)**	**(135)**	**-**	**(220)**
Financial guarantee contracts				
Gross amount	2,593	-	-	2,593
Loss allowance	(8)	-	-	(8)
Carrying amount (provision)	**(8)**	**-**	**-**	**(8)**

The following table sets out information about the overdue status of loans and advances to corporate and retail customers in Stages 1, 2 and 3.

	31-Dec-23				31-Dec-22			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3[1]	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loans and advances to customers								
Current	922,800	125,650	48,907	1,097,357	671,913	386,949	71,003	1,129,865
Overdue < 90 days[2]	385	4,018	3,103	7,506	1,424	134	-	1,558
Overdue > 90 days	-	-	16,231	16,231	-	-	385	385
Gross amount	**923,185**	**129,668**	**68,241**	**1,121,094**	**673,337**	**387,083**	**71,388**	**1,131,808**
Allowance for expected credit losses	(755)	(198)	(8,764)	(9,717)	(826)	(1,335)	(8,342)	(10,503)
Carrying amount	**922,430**	**129,470**	**59,477**	**1,111,377**	**672,511**	**385,748**	**63,046**	**1,121,305**

[1] The loans and advances to customers in stage 3 were previously stated as > 90 days overdue. These have been restated based on the actual days overdue.

[2] The loans and advances to customers < 90 days overdue has been restated to exclude those exposures that were due on the final day of 2022, which was not a business day. These payments were received on the first business day of 2023, in line with contractual requirements.

ii. Collateral held and other credit enhancements

Loans and advances to corporate customers

Loans and advances to corporate customers account for £1,120.9 million of the £1,121.1 million gross carrying amount of loans and advances to customers (2022: £1,131.5 million of £1,131.8 million).

The Bank holds collateral against its credit exposures arising from loans and advances to corporate customers. 93.7% (2022: 92.5%) of exposures by value are subject to collateral requirements, with the principal types of collateral held being real estate or floating charges over corporate assets.

The general creditworthiness of a customer is the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security, and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Revaluation of collateral is considered for all loans at a minimum each year, and revaluation of loans greater than €3m is performed at a minimum every three years, as required by regulation for capital relief purposes. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

Where we have extended loans under the Coronavirus Business Interruption Lending Scheme (CBILS) or the Recovery Loans Scheme (RLS), we receive a guarantee of between 70% to 80% of that exposure from HM Government. These were the only government backed coronavirus schemes that we partook in.

At 31 December 2023 the net carrying amount of credit-impaired loans and advances to corporate customers amounted to £59.5 million (2022: £63.0 million) and the value of identifiable collateral (mainly real estate) held against those loans and advances amounted to £56.3 million (2022: £61.9 million). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against. Collateral values are net of “haircuts” compared to collateral valuations, to represent values that could be realised in liquidation.

Assets obtained by taking possession of collateral

The Bank has not taken into possession any collateral during the year (2022: none), nor is it holding any at the year-end (2022: none).

iii. Allowance for expected credit losses

The following tables show reconciliations from the opening to the closing balance of the allowance for expected credit losses by class of financial instrument.

	Stage 1 £'000
Loans and advances to credit institutions	
Balance at 1 January 2022	1
Net remeasurement of loss allowance	(1)
New financial assets originated or purchased	1
Financial assets that have been derecognised	-
Balance at 31 December 2022	**1**
Net remeasurement of loss allowance	-
New financial assets originated or purchased	1
Financial assets that have been derecognised	(1)
Balance at 31 December 2023	**1**

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to customers				
Balance at 1 January 2022	1,053	1,191	3,996	6,240
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(224)	309	(85)	-
Transfer to Stage 3	-	(1,371)	1,371	-
Net remeasurement of loss allowance	(82)	984	3,786	4,688
New financial assets originated or purchased	98	245	-	343
Financial assets derecognised	(19)	(23)	(70)	(112)
Write-offs	-	-	(656)	(656)
Balance at 31 December 2022	**826**	**1,335**	**8,342**	**10,503**
Transfer to Stage 1	89	-	(89)	-
Transfer to Stage 2	(2)	48	(46)	-
Transfer to Stage 3	-	196	(196)	-
Net remeasurement of loss allowance	(220)	(1,333)	13,290	11,737
New financial assets originated or purchased	69	28	13	110
Financial assets that have been derecognised	(7)	(76)	(242)	(325)
Write-offs	-	-	(12,308)	(12,308)
Balance at 31 December 2023	**755**	**198**	**8,764**	**9,717**

	Stage 1 £'000
Debt securities	
Balance at 1 January 2022	4
Net remeasurement of loss allowance	1
New financial assets originated or purchased	-
Financial assets that have been derecognised	(2)
Balance at 31 December 2022	**3**
Net remeasurement of loss allowance	-
New financial assets originated or purchased	-
Financial assets that have been derecognised	-
Balance at 31 December 2023	**3**

	Stage 1 £'000	Stage 2 £'000	Total £'000
Loan commitments			
Balance at 1 January 2022	137	149	286
Net remeasurement of loss allowance	(52)	(14)	(66)
New financial assets originated or purchased	-	-	-
Financial assets that have been derecognised	-	-	-
Balance at 1 December 2022	**85**	**135**	**220**
Net remeasurement of loss allowance	(29)	(120)	(149)
New financial assets originated or purchased	-	-	-
Financial assets that have been derecognised	-	-	-
Balance at 31 December 2023	**56**	**15**	**71**

	Stage 1 £'000
Financial guarantee contracts	
Balance at 1 January 2022	1
Net remeasurement of loss allowance	7
New financial assets originated or purchased	-
Financial assets that have been derecognised	-
Balance at 31 December 2022	**8**
Net remeasurement of loss allowance	(3)
New financial assets originated or purchased	-
Financial assets that have been derecognised	-
Balance at 31 December 2023	**5**

The following table reconciles between:

- Amounts shown in the tables above reconciling opening and closing balances of loss allowance per class of financial instrument; and
- The 'impairment loss on financial instruments' line item in the statement of comprehensive income.

	2023					
	Stage 1	Stage 2	Stage 3	Write Offs	Income statement adjustments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Loans and advances to credit institutions	-	-	-	-	-	-
Loans and advances to customers	(72)	(1,137)	422	12,308	-	11,521
Debt securities	-	-	-	-	-	-
Loan commitments	(29)	(121)	-	-	-	(150)
Financial guarantee contracts	(3)	-	-	-	-	(3)
Total	**(104)**	**(1,258)**	**422**	**12,308**	**-**	**11,368**

	2022					
	Stage 1	Stage 2	Stage 3	Write Offs	Income statement adjustments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Loans and advances to credit institutions	-	-	-	-	-	-
Loans and advances to customers	(227)	144	4,346	656	2	4,921
Debt securities	(1)	-	-	-	-	(1)
Loan commitments	(52)	(13)	-	-	-	(65)
Financial guarantee contracts	7	-	-	-	-	7
Total	**(273)**	**131**	**4,346**	**656**	**2**	**4,862**

Credit impaired financial assets

The following table shows the development in the net carrying amount of credit- impaired loans and advances to customers.

	£'000
Credit impaired loans and advances to customers at 1 January 2022	46,938
Additions	49,876
Write-offs	(656)
Releases	(33,112)
Credit impaired loans and advances to customers at 31 December 2022	**63,046**
Additions	35,755
Write-offs	(12,308)
Releases	(27,016)
Credit impaired loans and advances to customers at 31 December 2023	**59,477**

The write offs in 2023 were partial write offs in accordance with IFRS 9 where the Bank is enforcing the collateral on the loans and expects to recover only a portion of the financial assets from the collateral. There are no reasonable prospects of recovering any further cash flows from the financial assets and therefore a partial write off was processed. The loans written off in the year continue to be subject to enforcement activity.

b. Liquidity risk
For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, see the principal risks section in the Strategic Report.

i. Maturity analysis for financial assets and financial liabilities
The following tables set out the earliest possible contractual maturities of the Bank's undiscounted cash flows for financial liabilities and financial assets.

31 December 2023	Note	On demand £'000	Less than 3 months £'000	3 months - 1 year £'000	1 - 5 years £'000	More than 5 years £'000	Total nominal amount £'000
Financial assets							
Cash and cash equivalents	9	282,378	-	-	-	-	282,378
Loans and advances to credit institutions	10	30,476	1,099	-	-	-	31,575
Loans and advances to customers	11	32,982	28,356	71,941	279,235	716,336	1,128,850
Debt securities	12	-	65,034	30,069	309,417	53,553	458,073
		345,836	**94,489**	**102,010**	**588,652**	**769,889**	**1,900,876**
Financial liability							
Deposits from credit institutions	18	5,708	787	1,259	4,905	5,349	18,008
Customer accounts	19	1,375,191	213,144	38,593	37,123	-	1,664,051
Debt issued	20			41		5,695	5,736
Lease liabilities	15	-	41	125	155	915	1,236
		1,380,899	**213,972**	**40,018**	**42,183**	**11,959**	**1,689,031**
Off balance sheet liabilities							
Contingent liabilities	25	1,214	1,313	-	-	-	2,527
Irrevocable facilities	25	87,134	-	-	-	-	87,134
		88,348	**1,313**	**-**	**-**	**-**	**89,661**
Net inflow/(outflow)		**(1,123,411)**	**(120,796)**	**61,992**	**546,469**	**757,930**	**122,184**

31 December 2022		On demand	Less than 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Financial assets							
Cash and cash equivalents	9	359,906	-	-	-	-	359,906
Loans and advances to credit institutions	10	33,412	1,199	-	-	-	34,611
Loans and advances to customers	11	5,096	19,047	86,780	314,506	714,845	1,140,274
Debt securities	12	-	50,026	35,111	226,252	29,907	341,296
		398,414	**70,272**	**121,891**	**540,758**	**744,752**	**1,876,087**
Financial liability							
Deposits from credit institutions	18	10,438	591	1,521	7,900	4,242	24,692
Customer accounts	19	1,368,784	222,228	46,935	3,958	-	1,641,905
Debt issued		-	-	38	-	5,695	5,733
Lease liabilities	15	-	40	121	276	949	1,386
		1,379,222	**222,859**	**48,615**	**12,134**	**10,886**	**1,673,716**
Off balance sheet liabilities							
Contingent liabilities	25	1,214	1,379	-	-	-	2,593
Irrevocable facilities	25	124,496	-	-	-	-	124,496
		125,710	**1,379**	**-**	**-**	**-**	**127,089**
Net inflow/(outflow)		**(1,106,518)**	**(153,966)**	**73,276**	**528,624**	**733,866**	**75,282**

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Contingent liabilities and irrevocable facilities	Contractual maturity date of the off-balance sheet facility. Contingent liabilities relate to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees to customers for loans provided to these customers by other banks. Non-credit substitute guarantees are guarantees to customers for all other obligations of these customers to third parties. Many of these guarantees are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. Irrevocable facilities mainly constitute accepted loans not yet paid out. Many of these facilities are for a fixed duration and bear interest at a floating rate.
All other financial assets and financial liabilities	Undiscounted cash flows, which include estimated interest payments

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- Demand deposits from customers are expected to remain stable or increase; and

- Unrecognised loan commitments are not all expected to be drawn down immediately.

ii. Liquid asset buffer

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and loans to credit institutions with original maturity less than 90 days. The Bank also holds unencumbered debt securities, which can be readily sold to meet liquidity requirements and are also eligible for use as collateral within the Bank of England Sterling Monetary Framework.

These amounts together are referred to as the "liquid asset buffer". The following table sets out the carrying amounts of the components of the Bank's liquid asset buffer at 31 December:

	2023 £'000	2022 £'000
Cash and cash equivalents	282,378	359,906
Loans and advances to credit institutions	31,575	34,611
Unencumbered debt securities issued by UK government	171,574	154,662
Unencumbered debt securities issued by others	285,118	191,142
Total liquidity reserves as at 31 December	**770,645**	**740,321**

iii. Financial assets pledged as collateral

The Bank has no assets pledged as collateral.

c. Market risk

For the definition of Market Risk and information on how market risk is managed by the Bank, see the principal risks section in the Strategic Report.

i. Exposure to interest rate risk

The following table analyses the Bank's interest rate exposure on financial assets and liabilities. Assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

31 December 2023	Note	Carrying amount £'000	Overnight to 3 months £'000	3 months - 1 year £'000	1 - 5 years £'000	More than 5 years £'000
Cash and cash equivalents	9	282,378	282,378	-	-	-
Loans and advances to credit institutions	10	31,575	31,575	-	-	-
Loans and advances to customers	11	1,111,377	622,219	18,436	293,760	176,962
Debt securities	12	456,689	64,980	29,926	304,692	57,091
		1,882,019	**1,001,152**	**48,362**	**598,452**	**234,053**
Deposits from credit institutions	18	18,008	6,495	1,259	4,905	5,349
Customer accounts	19	1,664,051	1,588,328	38,597	37,126	-
Debt issued	20	5,736	-	41	5,695	-
		1,687,795	**1,594,823**	**39,897**	**47,726**	**5,349**
Net assets/(liabilities)		**194,224**	**(593,671)**	**8,465**	**550,726**	**228,704**

31 December 2022	Note	Carrying amount £'000	Overnight to 3 months £'000	3 months - 1 year £'000	1 - 5 years £'000	More than 5 years £'000
Cash and cash equivalents	9	359,906	359,906	-	-	-
Loans and advances to credit institutions	10	34,611	34,611	-	-	-
Loans and advances to customers	11	1,121,305	587,594	40,571	234,040	259,100
Debt securities	12	345,801	50,007	35,318	224,807	35,669
		1,861,623	**1,032,118**	**75,889**	**458,847**	**294,769**
Deposits from credit institutions	18	24,692	11,029	1,521	7,900	4,242
Customer accounts	19	1,641,905	1,591,012	46,935	3,958	-
Debt issued	20	5,733	-	38	5,695	-
		1,672,330	**1,602,041**	**48,494**	**17,553**	**4,242**
Net assets/(liabilities)		**189,293**	**(569,923)**	**27,395**	**441,294**	**290,527**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a quarterly basis include a 200 basis point (bp) parallel fall or rise in all yield curves worldwide.

The following is an analysis of the Bank's sensitivity to an increase or decrease in market interest rates, using parallel shocks to the yield curve. Floors based on regulatory requirements and expert judgement are applied to the market rates, and the maturity of customer accounts is based on expected customer behaviour rather than contractual terms. In accordance with Triodos Bank UK's 2022 ICAAP, internal risk appetite limit for IRRBB was set at maximum loss of 5% of total capital and tracked using the quarterly regulatory return.

	2023		2022	
	200bp parallel increase	200bp parallel decrease	200bp parallel increase	200bp parallel decrease
Sensitivity of projected net interest income				
At end of period or end of year	5.3%	-5.3%	4.3%	-4.1%
Average for the year	5.7%	-5.6%	4.1%	-3.0%
Maximum for the year	6.9%	-3.9%	4.6%	-2.0%
Minimum for the year	3.9%	-6.9%	3.1%	-4.1%
Sensitivity of reported equity to interest rate movements				
At end of period or end of year	3.4%	-3.2%	0.9%	-0.5%
Average for the year	2.8%	-2.6%	-0.3%	1.0%
Maximum for the year	3.5%	-1.2%	0.9%	2.9%
Minimum for the year	1.6%	-3.3%	-1.8%	-0.5%

Interest rate movements affect reported equity due to the impact of increases or decreases in net interest income reported in profit or loss on retained earnings.

ii. Exposure to currency risks
Total foreign exchange exposures are managed to remain well below 2% of actual own funds. As at the reporting date, there were no significant foreign currency exposures.

27. Fair value of financial instruments

A. Valuation models
The Bank holds all assets and liabilities at amortised cost. It therefore does not hold any assets or liabilities at fair value.

For disclosure purposes, the Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:
- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Bank determines the fair value of its financial instruments using the following bases:
- The fair value of listed debt securities is the market value.

- The fair value of loans and advances to credit institutions, lease liabilities, deposits from banks, deposits from customers and debt issued has been determined by calculating the net present value of expected interest and redemption cashflows, taking into account market interest rates as at the end of the year.
- The fair value of loans and advances to customers has been determined by calculating the net present value of the interest and redemption cashflows, taking into account expected prepayment behaviour. The net present value is calculated by using market data, i.e., zero coupon rates, as at the end of the year, which are adjusted with a spread specific to the Bank. The spread is based on the expected margin the Bank expects to make over the market base rates in the coming years on new loans and advances to customers. Some loans and advances to customers include floors on the interest rates.
- The fair value of the other assets and liabilities is assumed to be equal to the balance sheet value.

B. Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	£'000	£'000	£'000	£'000	£'000
At 31 December 2023					
Assets					
Loans and advances to credit institutions	-	-	31,575	31,575	31,575
Loans and advances to customers	-	-	1,099,981	1,099,981	1,111,377
Debt securities	447,672	-	-	447,672	456,689
Liabilities					
Deposits from credit institutions	-	-	17,112	17,112	18,008
Customer accounts	-	-	1,571,845	1,571,845	1,664,051
Debt issued	-	-	4,908	4,908	5,736

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	£'000	£'000	£'000	£'000	£'000
At 31 December 2022					
Assets					
Loans and advances to credit institutions	-	-	34,611	34,611	34,611
Loans and advances to customers	-	-	1,087,679	1,087,679	1,121,305
Debt securities	322,131	-	-	322,131	345,801
Liabilities					
Deposits from credit institutions	-	-	22,874	22,874	24,692
Customer accounts	-	-	1,520,271	1,520,271	1,641,905
Debt issued	-	-	5,466	5,466	5,733

The fair value of cash and cash equivalents is equal to the total carrying amount as these are on demand balances and therefore not included in the table above.

28. Related undertaking

Triodos Nominees Limited is a private company registered in England and Wales (company no. 06059752) with its registered office at Triodos Bank, Deanery Road, Bristol, BS1 5AS, both of whose directors are employees of Triodos Bank UK, including CEO Bevis Watts. The company has no assets and liabilities and its sole purpose is to segregate client's assets from those of the Bank so they are protected in the unlikely event of insolvency. This is in accordance with the FCA's Clients Assets Sourcebook (CASS) requirements. The full 100% shareholding of 1 ordinary share (£1 nominal value) was transferred from Triodos Investments Limited to Triodos Bank UK Limited in 2020 to establish a more appropriate legal structure for the protection of the clients' assets. Its financial statements are prepared in accordance with the micro-entity provisions.

29. Ultimate controlling party

The Bank's immediate and ultimate parent undertaking is Triodos Bank N.V., registered in the Netherlands. The smallest and largest group for which consolidated financial statements are prepared is Triodos Bank N.V. The consolidated financial statements of the ultimate parent company can be obtained from Triodos Bank N.V., Hoofdstraat 10, Driebergen-Rijsenburg, PO Box 55, 3700 AB Zeist, Netherlands, or from www.triodos.com.

Triodos Bank N.V. is the Bank's ultimate controlling party.

30. Post balance sheet events

The Directors have considered events that have occurred between 31 December 2023 and the date of approval of these financial statements. The Directors recommend a final dividend of 0.81 pence per share as disclosed in the Directors' Report.

The directors do not consider that any other events that have occurred since 31 December 2023 require a change to or additional disclosure in the financial statements.

Independent Auditors' Report to the members of Triodos Bank UK Limited

Independent auditors' report to the members of Triodos Bank UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Triodos Bank UK Limited's financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2023 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2023; the statement of comprehensive income; the cash flow statement; and the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7 of the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The company is based in the United Kingdom, and does not have any branches or service centres. We note that the Company has a subsidiary, Triodos Nominees Limited, and has taken an exemption under section 401 of Companies Act 2006 from preparing consolidated accounts. The company relies upon certain key group functions at Triodos Bank N.V., including Information Technology General Controls and the calculation of certain aspects of loan loss impairment. We therefore audited the company as a standalone entity, while instructing and overseeing work performed by PricewaterhouseCoopers Accountants N.V. on our behalf in these areas.

Key audit matters

- Assumptions used in the valuation of loan loss impairment under IFRS 9

Materiality

- Overall materiality: £1,932,000 (2022: £1,850,000) based on 1% of Common Equity Tier 1 ('CET 1').
- Performance materiality: £1,449,000 (2022: £1,387,500).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Assumptions used in the valuation of loan loss impairment under IFRS 9 Determining expected credit loss ('ECL') involves management judgement and is subject to a high degree of estimation uncertainty. Management makes various assumptions when estimating ECL. The significant assumptions that we focused on in our audit included those with greater levels of management judgement and for which changes in would have the most significant impact on ECL. A Stage 3 ECL allowance is recognised for accounts which are credit impaired and an impairment loss allowance equal to a lifetime ECL is recorded. With respect to Stage 3 an assessment is performed on a loan-by-loan basis. The company determines the Stage 3 loan impairment allowance by taking into account expected future cash flows, including value and recoverability of the corresponding collateral as well as the timing and the cost of realising this collateral. The risk of material misstatement is heightened as there is increased uncertainty associated with estimating the likelihood and timing of future events through the use of management assumptions and judgements. We particularly focused on the appropriate selection of assumptions in relation to key assumptions used in the Stage 3 ECL model, including collateral valuation and the time associated to realise this collateral. This is therefore considered to be a key audit matter in our audit. Relevant references in the Annual Report: Note 26 - Financial risk management. Accounting policies, Critical judgements and estimates, Valuation of Collateral, page 87.	Our audit procedures included understanding and evaluating the control environment. We assessed the design and operating effectiveness of the credit impairment process and related controls. In respect of the allowance for those loans in Stage 3, we have performed the following audit procedures to support our conclusions: • Considered specific scenarios to each sampled loan (including cure, normal sale of collateral and forced sale of collateral) and the weighting assigned to each multiple economic scenario by management, to assess whether the judgements applied in the calculation of the ECL were appropriate. • Where management used experts to inform the collateral valuation, for a sample of loans we involved our property valuation experts to evaluate the reasonableness of assumptions used in these collateral valuation reports. • Evaluated the reasonableness of cost associated with the realisation of the collateral by independently projecting the expected costs and corroborating the assumptions with the third party agents involved in the process of selling the collateral. With respect to the disclosures relevant to IFRS 9 ‘Financial Instruments’, we have assessed the adequacy of the disclosures, including those on estimation uncertainty and judgements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We considered reliance on the company's parent, Triodos Bank N.V., including for IT support services and IFRS 9 loan loss impairment modelling. As a result, we instructed PricewaterhouseCoopers Accountants N.V. to complete certain aspects of work in these areas on our behalf which we oversaw.

The impact of climate risk on our audit
As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the financial statements and support the disclosures made within the Strategic Report and the Directors' Report.

We challenged the completeness and consistency of management's climate risk assessment through review of management's climate risk disclosure alongside Board-approved climate-related plans and board minutes. This included assessing whether the time horizons management have used to take account of all relevant aspects of climate change such as transition risks, and the entity's website for details of climate related impacts.

Management has made commitments to achieve net zero by 2035. The company published its Net Zero Strategy in November 2021, as set out in the climate change section of the Strategic Report. This commitment does not directly impact financial reporting.

We also considered the consistency of the Annual Report disclosures in relation to climate change (including around greenhouse gas emissions, energy consumption and energy efficiency) with the financial statements and the knowledge obtained from our audit.

Our procedures did not identify any material impacts in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2023.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£1,932,000 (2022: £1,850,000).
How we determined it	1% of Common Equity Tier 1 ('CET 1')
Rationale for benchmark applied	We consider that CET 1 is the most appropriate benchmark to use for the company, as a wholly-owned subsidiary of a group, and whose strategy is not solely one of profit maximisation. In addition, equity is used to make long term sustainable returns for the company which is core to its purpose. It is the key measure considered by those charged with governance, as well as the company's regulators, when assessing the performance of the business. This basis is consistent with last year.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,449,000 (2022: £1,387,500) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £193,200 (2022: £185,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's going concern assessment;
- Evaluation of future forecasts, liquidity and capital and profitability stress tests performed by management and consideration of whether the stresses are sufficiently severe and appropriate for assessing going concern;
- Evaluation of the company's forecast financial performance, liquidity and capital positions over the going concern period including an evaluation of the impact of the macro-economic events on the financial outlook of the company;
- Enquiries with management regarding any breaches of covenants, or other significant sources of funding; and
- Evaluation of management's reliance on Triodos Bank N.V., who provide operational support to the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to relevant Financial Conduct Authority ('FCA') and Prudential Regulation Authority ('PRA') regulations, the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for manual journal entries being recorded in order to manipulate financial performance, and applying management bias in the determination of accounting estimates and judgements. Audit procedures performed by the engagement team included:
- Enquiries of management and those charged with governance, including review of meeting minutes in so far as they relate to the financial statements, and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of correspondence with the regulators, including the FCA and PRA;

- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to loan loss impairment; and
- Testing manual journal entries posted during the audit period by applying a risk-based criteria to identify those which may be fraudulent.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 7 December 2018 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2019 to 31 December 2023.

Stafford Moran

Stafford Moran (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

27 March 2024

Triodos Bank