Triodos Bank

TRIODOS BANK UK LIMITED

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

Registered number: 11379025

PILLAR 3 DISCLOSURES

For the year ended 31 December 2024

Contents

Triodos Bank

GLOSSARY OF ACRONYMS

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

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

1. OVERVIEW

Background and Regulatory Guidance

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

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

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

Disclosures

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

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

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

Frequency of Disclosure

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

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

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

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

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

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

Scope of Disclosure

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

Summary of key disclosures

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

Key metrics table

	31-Dec-24 £'000	31-Dec-23 £'000
Capital		
Total Capital	198,953	198,239
Common Equity Tier 1 (CET1)	193,258	192,544
Risk weighted assets	876,076	861,016
Total Capital Ratio	**22.71%**	**23.02%**
Common Equity Tier 1 ratio	22.06%	22.36%
Capital requirements		
Pillar 1	8.00%	8.00%
Pillar 2a	3.84%	3.84%
Pillar 2b	0.00%	0.00%
Capital conservation buffer requirement	2.50%	2.50%
Countercyclical buffer requirement	2.00%	1.99%
Overall Capital Requirement	**16.34%**	**16.33%**
Basel III Leverage Ratio		
Total Basel III leverage ratio exposure measure	1,715,067	1,664,149
Basel III leverage ratio	**11.3%**	**11.6%**
Liquidity Coverage Ratio (LCR)[1]		
Total HQLA	826,583	715,906
Total net cash outflow	175,445	170,147
LCR	**471.1%**	**420.8%**
Net Stable Funding Ratio (NSFR)[1]		
Available stable funding	1,760,894	1,684,212
Required stable funding	853,958	877,374
NSFR	**206.2%**	**192.0%**

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

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk Management Objective

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

Details of how TBUK's RMF operates and the governance structure can be found in the Risk Overview section of the TBUK published Annual Report and Accounts. In addition, TBUK's approach to managing the Financial Risks of Climate Change (FRCC) can be found in the Climate Change section of the same report.

3. CAPITAL RESOURCES

Overview

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

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

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

Total Capital Resources

TBUK's regulatory capital of £199m as at 31 December 2024 consisted of CET1 (£193.3m) in the form of ordinary share capital (£172m) and reserves (£22.6m) with regulatory deductions (-£1.4m), and Tier 2 capital representing subordinated debt (£5.7m).

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

Table 1: Total Capital Resources

	31-Dec-24 £'000	31-Dec-23 £'000
Common Equity Tier 1 (CET1) capital		
Ordinary share capital	172,000	172,000
Retained earnings	22,630	21,296
CET1 capital before regulatory adjustments[1]	**194,630**	**193,296**
Regulatory adjustments to CET1 capital		
Intangible assets[2]	(£1,371)	(£752)
Total regulatory adjustments to CET1 capital	**(£1,371)**	**(£752)**

CET1 capital	**193,258**	**192,544**
Additional Tier 1 capital	**-**	**-**
Tier 2 capital		
Subordinated loan notes (unlisted)[3]	5,695	5,695
Tier 2 capital	**5,695**	**5,695**
Total capital	**198,953**	**198,239**

[1] CET1 capital before regulatory adjustments agrees to equity and reserves in the Annual Report excluding 2024 profit which has not been included in own funds pending signing off of annual accounts and a £55k merger reserve which has not been included in the CET1 figure above.

[2] An amount is deducted from capital for any intangible assets held on the balance sheet.

[3] TBUK issued £5.69m of subordinated debt on 23 December 2020 with a maturity of 10 years. The full £5.69m was eligible as Tier 2 capital as at 31 December 2024.

4. CAPITAL REQUIREMENTS

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

Credit Risk Exposure RWAs

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

A summary of TBUK's RWAs and corresponding minimum Pillar 1 capital requirements for each of the asset classes is provided below in Table 2.

Table 2: Credit Risk RWAs broken down by Asset Class

	Risk-weighted assets		**Pillar 1 Capital requirements[1]**	
Exposure class	**31-Dec-24 £'000**	**31-Dec-23 £'000**	**31-Dec-24 £'000**	**31-Dec-23 £'000**
Central governments or central banks	0	-	-	-
Public sector entities	-	311	-	25
Multilateral development banks	-	-	0	0
Institutions	6,127	10,295	490	824
Corporates	286,842	297,075	22,947	23,766
Retail[2]	-	38,164	-	3,053
Secured by mortgages on immovable property	433,431	335,011	34,674	26,801
Exposures in default	33,438	61,892	2,675	4,951
Covered bonds			-	-
Items associated with particularly high risk[3]	-	13,060	-	1,045
Other items	15,711	16,076	1,257	1,286
Total	**775,550**	**771,883**	**62,044**	**61,751**

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

Triodos Bank

[2] TBUK no longer assigns any exposures to the retail asset class following a policy decision that the number of exposures in TBUK's retail asset class was not sufficient to meet the criteria of CRR article 123 b).

[3] The RWAs reported as 'Items Associated with particularly high risk' in 2023 related to development lending to Community Land Trusts. These loans have all now been successfully repaid.

Operational Risk RWAs

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

Table 3: TBUK Operational Risk Requirement

	31-Dec-24 £'000	31-Dec-23 £'000
2021 Relevant indicator		39,108
2022 Relevant indicator	47,860	47,860
2023 Relevant indicator	55,645	55,645
2024 Relevant indicator	57,338	
3 year average income figure	53,614	47,537
Capital requirement	8,042	7,131
Operational risk RWA	100,526	89,132

Market Risk

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

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

As at 31 December 2024 TBUK had an intercompany loan based in euros from TBNV with a sterling value of £12.7m (€15.4m) which as noted above is used to net off against the Euro denominated loans TBUK has for the purposes of managing TBUK's foreign exchange risk.

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

Counterparty Credit Risk

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

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

TBUK's Capital Requirements

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

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

As at 31 December 2024, and throughout the period, TBUK has complied with the OCR in force as set out by the PRA.

Pillar 2 Capital Requirements

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

As at 31 December 2024 TBUK had a Pillar 2 requirement of 3.84%.

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

Table 4: TBUK Total Capital Requirement

Total capital requirement (TCR)	**31-Dec-24**
Pillar 1	8.00%
Pillar 2a	3.84%
Pillar 2b	0.00%
TCR	11.84%

REGULATORY CAPITAL BUFFERS

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

The Capital Conservation Buffer (CCoB)

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

The Countercyclical Buffer (CCyB)

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

Institutions are required to calculate an institution-specific CCyB as a weighted average of the CCyB rates that apply in the countries where that institution's credit exposures are located. For TBUK, 99.03% of capital requirements relate to UK exposures with the only other material requirements arising from exposures in Ireland (0.83%) and Denmark (0.13%). As such the TBUK CCyB is determined by calculating 99.03% of the CCyB in place in the UK and summing this with 0.83% of the CCyB in place in Ireland and 0.13% of the CCyB in place in Denmark.

In the UK, parliament has delegated the role of setting the CCyB to the Financial Policy Committee (FPC). The FPC set the CCyB at 2% in July 2023, no further future changes have been communicated from this point at the time of writing this Pillar 3 document. Ireland increased their CCyB to 1.5% in June 2024. Denmark set their CCyB at 2.5% in March 2023 with no future changes currently communicated. As at December 2024 the combination of the above sets TBUK's CCyB at 2%. Table 5 below shows the geographical distribution of TBUK's loans as well as the CCyB calculation:

Table 5: TBUK Loan book geographic distribution and CCyB calculation

31 December 2024	**Exposure value £'000**	**Pillar 1 Own funds requirements £'000**	**Own funds requirements weights %**	**Countercyclical capital buffer rate set by the Designated Authority %**	**Institution specific countercyclical capital buffer rate %**
(GB) Great Britain and Northern Ireland	1,138,901	60,958	99.03	2.00	1.98
(IE) Ireland	10,588	514	0.83	1.50	0.01
(DK) Kingdom of Denmark	2,058	82	0.13	2.50	0.00
Other					
Total	**1,151,548**	**61,554**	**100.00**		**2.00**

Overall Capital Requirement (OCR)

When combined with the TCR, the above buffers give TBUK an OCR of 16.34%.

Table 6: TBUK Overall Capital Requirement

Overall Capital Requirement (OCR)	**31-Dec-24**
TCR	11.84%
CCoB	2.50%
CCyB	2.00%
OCR	16.34%

TBUK Capital Ratios

Table 7, below, shows TBUK's Total RWAs broken down by their risk type as well as TBUK's TCR and OCR.

Table 7: TBUK RWAs and Capital Ratios

	RWA 31-Dec-24 £'000
Credit risk	775,550
Operational risk	100,526
Market risk	-
Counterparty Credit risk	-
Total	876,076
TBUK Total capital ratio (%)	22.71%
OCR	16.34%

Composition of Capital Requirements

The CRR sets out that the various elements making up a bank's OCR must be met by minimum levels of each of the three categories of capital: CET1, Additional Tier 1 (AT1) and Tier 2 (T2). Table 8 below shows the minimum amount of each tier of capital that the OCR must be met with. Table 9 then shows these requirements translated into TBUK's OCR with the bottom row showing TBUK's actual CET1, Tier 1 and TCR position:

Table 8: Minimum Capital Requirements by Type of Capital

Make up of capital		**31-Dec-24**	
	CET1	**AT1 + CET1**	**Total capital (CET1, AT1, T2)**
Pillar 1	56.25%	75.00%	100.00%
Pillar 2a	56.25%	75.00%	100.00%
CCoB	100.00%	100.00%	100.00%
CCyB	100.00%	100.00%	100.00%

Table 9: TBUK Minimum Capital Requirements by Type of Capital

Minimum OCR requirement broken down types of capital		**31-Dec-24**	
	CET1	**Additional Tier 1 + CET1**	**Total capital (CET1, AT1, T2)**
Pillar 1	4.50%	6.00%	8.00%
Pillar 2a	2.16%	2.88%	3.84%
CCoB	2.50%	2.50%	2.50%
CCyB	2.00%	2.00%	2.00%
TCR requirement	6.66%	8.88%	11.84%
OCR requirement	11.16%	13.38%	16.34%
TBUK capital ratios	22.06%	22.06%	22.71%

As can be seen in Table 9, there is little difference between TBUK's CET1 ratio and Total Capital Ratio, this is due to TBUK's capital being predominantly made up of CET1 capital. For this reason the most important ratio for consideration of TBUK's capital adequacy is the TCR as opposed to the CET1 or AT1 ratios.

5. LEVERAGE

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

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

The ratio is calculated as:

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

Where the leverage ratio exposure measure is the total of:

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

Table 10 below, shows information regarding TBUKs leverage ratio for the last 2 years. These are year-end, point-in-time leverage positions as opposed to averages over the year. A reconciliation of the Leverage ratio exposure measure to the balance sheet is also shown in the table:

Table 10: TBUK Leverage Ratio

	31-Dec-24 £'000	**31-Dec-23 £'000**
Leverage ratio	11.27%	11.57%
Tier 1 capital after deductions	193,258	192,544
Leverage ratio exposure measure	1,715,067	1,664,149
On balance sheet assets as per financial accounts	£1,964,330	£1,897,815
Central bank assets excluded from leverage ratio exposure measure	(£298,593)	(£278,459)
Amounts deducted from capital	(£1,371)	(£752)
Off balance sheet items after application of CCFs	£50,701	£45,545

6. LIQUIDITY COVERAGE RATIO

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

Triodos Bank

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

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

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

TBUK has an LCR requirement of 100%.

As at 31 December 2024, TBUK's LCR was 471.1%. This is calculated as a total HQLA of £826.6m divided by net cash outflows of £175.4m.

Table 11, below, shows the average LCR based on end-of-month observations over the preceding 12 months for each quarter:

Table 11: TBUK Average Annual Liquidity Coverage Ratio by Quarter-End

	31-Mar-24 £'000	**30-Jun-24 £'000**	**30-Sep-24 £'000**	**31-Dec-24 £'000**
LCR	459%	473%	484%	504%
Liquidity buffer	705,420	715,784	736,325	760,031
Stressed outflow	193,067	190,652	188,954	182,945
Stressed inflow	37,840	37,581	35,222	31,149
Net stressed outflow	155,228	153,071	153,732	151,796

As can be seen in Table 11, above, the average LCR over the last year has significantly exceeded the regulatory minimum. The minimum ratio was also exceeded in each of the individual months on which the averages have been calculated.

7. NET STABLE FUNDING RATIO

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

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

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

Triodos Bank

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

As at December 2024 TBUK had an NSFR of 206%. Table 12, below, shows the average NSFR based on end-of-quarter observations over the preceding 12 months for each quarter of 2024:

Table 12: TBUK Average Annual Net Stable Funding Ratio by Quarter End

	31-Mar-24 £'000	30-Jun-24 £'000	30-Sep-24 £'000	31-Dec-24 £'000
NSFR ratio	191%	194%	196%	200%
Available stable funding	1,689,367	1,700,081	1,711,979	1,731,150
Required stable funding	882,519	877,491	872,832	866,978

As can be seen by Table 12, above, the average NSFR ratio over the last year has significantly exceeded this regulatory minimum.

8. REMUNERATION POLICY AND PRACTICES

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

Remuneration Policy

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

The key principles of the policy are:

Fair remuneration and social coherence

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

Risk mitigation and avoiding conflicts of interest

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

The Policy is reviewed on an annual basis as standard however, its most recent review has been delayed pending completion of a project updating the Job Family Framework and Reward policy. During the standard policy review cycle, the Group Director for Human Resources (HR) will assess the Policy in view of the values of Triodos Bank and the relevant regulations in the countries where Triodos Bank operates. At Group level, the Legal Department will monitor the legal developments and notify HR of any changes in regulation related to remuneration that need to be included in this Policy. The Group Director of HR will also consult with relevant parties within Triodos Bank UK (UK Director of HR and UK CRO) and ensure approval by TBUK Board.

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

Link Between Pay and Performance

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

Fixed remuneration

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

Variable remuneration

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

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

Local Application of International Remuneration & Nomination Policy

At a local level, the UK Board is responsible for remuneration policy and governance of all matters relating to remuneration within TBUK. The UK Remuneration Guidelines provide a local interpretation of core elements of the Policy with respect to fixed salaries and TOAs. Remuneration was discussed twice at the Nominations Committee for approval by Board.

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

Quantitative Disclosures

This section provides details of the remuneration of Material Risk Takers (MRTs) at TBUK for the year ending 31 December 2024

A detailed breakdown of all staff costs can be found in Note 5 of the Annual Report and Accounts.

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

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

The number of MRTs increased from 20 to 21 in 2024 to include an additional non executive director. This figure includes all members of the Board, Senior Management Team, Heads of relevant control functions and members of the Business Banking team with significant decision making responsibilities.

Table 13 below, provides the breakdown of remuneration for the individuals who held these roles at year end. Fixed remuneration is defined as base salary and other benefits (such as pension and healthcare). Variable remuneration is defined as TOAs awarded in the financial period.

Table 13: Remuneration

	31-Dec-24 MRTs	**31-Dec-23 MRTs**
Number of staff	21	20
Fixed remuneration (£'000)	2,311	2,097
Variable remuneration (TOAs) (£'000)	0	0

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

Table 14 below provides information on any severance payments made to any individuals who were acting in MRT identified roles during the 2 reference periods.

Table 14 Severance payments

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

* All severance payments relate to Payment in Lieu of Notice

** The individual who received severance payments in 2023 are not included in the number of staff reported in Table 13 as these figures are representative of the number of MRT roles as opposed to the number of staff who held the roles at any point during the year.