TRIODOS BANK UK LIMITED

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

Registered number: 11379025

ANNUAL REPORT

For the year ended 31 December 2021

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 company limited by shares, 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
Pierre Aeby	Non-Executive Director
Bevis Watts	Executive Director

Company Secretary

Emily Wilson	Corporate Secretary	Until 20 December 2021

Management Team

Bevis Watts	Chief Executive Officer	
Richard Ingle	Chief Financial Officer	
Sian Williams	Chief Risk Officer	From 4 January 2021
Judy Rose	Chief Operating Officer	
Gwyn Rhodes	Head of Business Banking	From 8 February 2021
Gareth Griffiths	Head of Retail Banking	
Zoe Sear	Head of Marketing & Communications	
Ann Evans	Head of Human Resources	
Stefan Hargrave	Head of Internal Audit	

Independent auditors

PricewaterhouseCoopers LLP
2 Glass Wharf
Temple Quay
Bristol BS2 0FR

Mission

Triodos Bank's mission is to help create a society that protects and promotes quality of life and human dignity for all. Since 1980, our sustainable financial products have enabled individuals and organisations to use their money in ways that benefit people and the environment.

CONTENTS

STRATEGIC REPORT

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.

Triodos Bank has operated in the UK since 1995, however in 2019 Triodos Bank UK Limited, a private company limited by shares, was established to enable Triodos Bank to continue operating in the UK following the UK's departure from the European Union. Triodos Bank UK Limited (hereafter in this report 'the Bank' or 'Triodos Bank UK') is a fully-owned subsidiary of Triodos Bank N.V. (incorporated in the Netherlands) and is closely aligned to the mission and business strategy as part of Triodos Bank N.V (hereafter in this report 'Triodos Bank').

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

Fair review of the business

Triodos Bank UK is a traditional retail deposit-funded lending operation, lending primarily to 'Small to Medium-sized Enterprises' whose objectives are aligned with those of the Bank. Recent growth 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. The purpose of Triodos Bank is reflected through the strategy, policies and procedures which embed a positive corporate, risk management and conduct 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 the 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 of 70%. 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) of 414%. This aligns with the Triodos Bank business model to have self-supporting balance sheets across the corporate group over the medium term, with little or no reliance on wholesale funding.

Highlights from 2021

Like many businesses, Triodos Bank UK faced the everyday operational challenges of the Covid-19 pandemic in 2021, such as continued home working for staff enforced by lockdowns and adapting to restrictions and testing requirements. We focused on supporting our customers and caring for employees (whom we call 'co-workers') through unusual and challenging times. The bank continued to work closely with lending customers to provide support, such as capital repayment holidays, and became a registered lender under the UK government's Recovery Loan Scheme.

Discussions around addressing environmental and social challenges – including the role of the finance sector – were front of mind for many during the year. In this context, Triodos Bank UK has become an even more important part of the banking landscape and a reference point by continuing to challenge the way banking is done.

We continued to offer personal current accounts, savings, investments, business lending, corporate finance advisory and crowdfunding, all with the intention of putting money to work delivering positive impact – changing lives, protecting the environment and building stronger communities. The Triodos personal current account is rated the most ethical personal current account in the UK by Ethical Consumer. Further endorsements as the UK's top sustainable bank also came from Which? who released its first ranking of sustainable savings account providers this year.

Now firmly established in the mainstream UK banking landscape, Triodos Bank UK was recognised as 'Best Sustainable Bank – UK' by the Responsible Banking Awards and nominated in four categories at the British Bank Awards, including 'Best Current Account Provider', 'Best British Bank' and 'Best Ethical Financial Provider'.

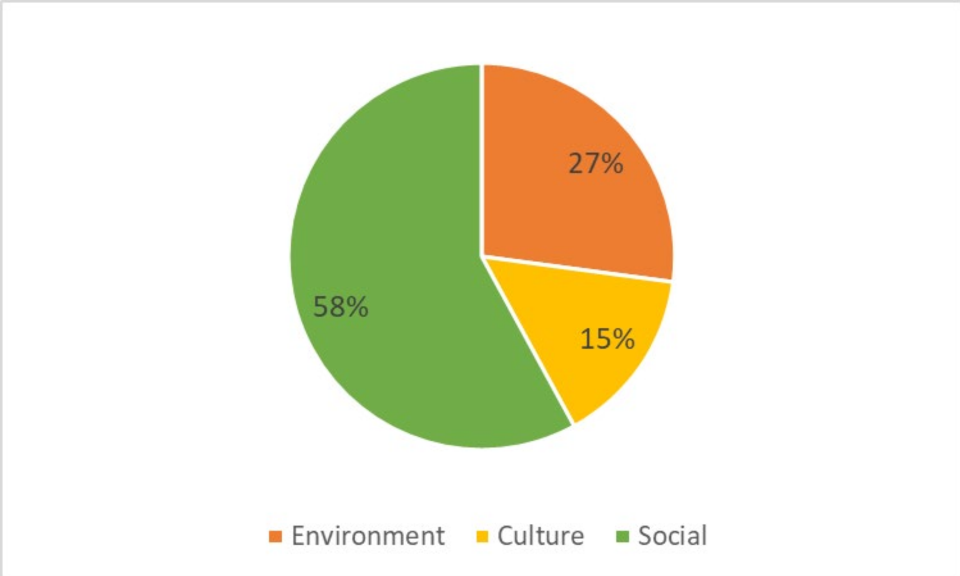
The Triodos Bank UK Annual Meeting shifted to a full virtual format hosted by Gillian Burke (presenter of BBC Springwatch) and featuring many high-profile retail customers, including Richard Curtis and Mya-Rose Craig, as well as a number of business customers. Over 800 tuned in to watch the annual meeting.

Development and performance of the business during the year

During the year Triodos Bank UK made a profit after tax of £7.8 million, which equates to a return on equity of 4.3%. This compares to profit after tax for 2020 of £5.6 million (3.2% 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

Total loans and advances to customers grew 5.8% in the year; from £1,070 million to £1,132 million. Gross new lending in the year totalled £183 million (2020: £187 million). The year-end lending by value can be broken down per sector as follows:



The growth of the loan portfolio 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 the quality of life for communities; thereby contributing to delivering Triodos Bank UK's mission as detailed below.

To make sure that Triodos Bank UK only finances sustainable enterprise, 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. The criteria and guidelines Triodos Bank UK use to assess companies can be viewed at www.triodos.com/about-us.

Triodos Bank UK's focus remains on the existing sectors in which it has already developed considerable expertise and where it considers further growth, diversification and innovation to be possible.

Environment (27% of lending by value; 2020: 31%)

This sector consists of renewable energy projects such as wind and solar power, hydro-electric, heat and cold storage, and energy saving projects. It also includes organic agriculture and projects across the entire agricultural chain, from farms, processors and wholesale companies to natural food shops. The decarbonisation of transport and recycling of resources is also included.

Social (58% of lending by value; 2020: 55%)

This sector includes loans to traditional businesses or non-profit organisations, innovative enterprises, and service providers with clear social objectives, such as social housing, loans to fair trade businesses, integration for people with disabilities or at risk of social exclusion and health care institutions.

Culture (15% of lending by value; 2020: 14%)

This sector covers loans to organisations working in education, retreat centres, religious groups, cultural centres and organisations, and artists.

Customer accounts

Customer accounts are 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 14% in the year from £1,413 million to £1,608 million.

Net interest income for the year was £36.2 million (2020: £32.3 million). This was driven by the development of loans and funds entrusted volumes described above, along with changes in rates earned or charged on these loans and funds entrusted, which were impacted by changes in Bank of England base rates.

Net fee and commission income

Net fee and commission income for the year totalled £2.7 million (2020: £2.2 million). This is derived from lending, payment transactions, corporate finance, and Triodos Investment Management B.V. impact fund distribution activities.

Operating expenses

Total operating expenses for the year were £28.5 million (2020: £25.5 million), of which £12.1 million (2020: £10.4 million) were co-worker costs and £7.6 million (2020: £7.1 million) were intercompany recharges from the parent company, Triodos Bank. These recharges cover the costs of IT services and development and other general overheads.

Triodos Bank UK's cost income ratio for the year was 72.8% (2020: 73.9%).

Impairments

During the year, impairment charges for financial assets and off-balance sheet liabilities of £2.2 million (2020: £3.0 million) were recognised under the expected credit loss method required by International Financial Reporting Standard 9 (IFRS 9). For more information on credit risk policies see accounting policies 7 and 16 and for more information on credit risk in the portfolio see Note 26.

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 the Bank's parent company, Triodos Bank.

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 has received a Total Capital Ratio (TCR) requirement from the regulator of 14.62%. A key input to the TCR-setting process is the internal capital adequacy assessment process (ICAAP).

Triodos Bank UK manages its activities to comply with all externally imposed capital requirements and ended the year with a CET1 ratio of 21.2% (2020: 22.6%) and a total capital ratio of 21.8% (2020: 23.4%).

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) was 414% (2020: 414%).

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 more quickly than its cost base, resulting in improved profitability.

Key performance indicators

The key metrics used by the Board and senior management to measure performance are shown below, along with their values at 31 December 2021 and 31 December 2020:

Key performance indicator	2021	2020
Loans and advances to customers	£1,132 million	£1,070 million
Customer account balances	£1,608 million	£1,413 million
Common equity tier 1 ratio	21.2%	22.6%
Total capital ratio	21.8%	23.4%
Leverage ratio	9.31%	10.1%
Liquidity coverage ratio	414%	414%
Operating expenses / total income	72.8%	73.9%
Return on equity	4.3%	3.2%
Number of co-workers	231	208

Customers

At year end, Triodos Bank UK had 84,592 customers; an increase of 16% during 2021, with Personal Current Account holders making up an increased proportion of our customer base. As in the previous two years, we have consistently seen net gains from the current account switching service[1], and enjoy a comparatively high ratio in the UK for customers opening current accounts compared with customers switching away.

There were 581 customer complaints logged in the year, which is an 85% increase since 2020. This was primarily because a number of industry-wide regulatory initiatives, all aimed at reducing the number of customers impacted by fraud came in to effect during 2021. The result of these was an increase in the number of debit card transactions being declined at the point of sale, causing customer dissatisfaction. This was keenly felt in Q4 2021 and this trend is anticipated to continue in to the early part of 2022 as Merchants and Card issuers upgrade their infrastructure accordingly. Full year complaint figures for 2021 will be published by the FCA later during the year, however, market participants across the board have seen similar trends. Underlying complaint volumes were relatively stable year on year, with the exception of 17 complaints against Triodos Bank UK which were referred to the FOS (Financial Ombudsman Service), of which one was upheld. This is significantly below the industry average of 40% upheld (excluding Payment Protection Insurance (PPI) claims for the period 1 April 2020 – 31 March 2021).

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 community of co-workers can thrive as healthy and resilient people, delivering sustainable high performance and social, cultural and environmental impact.

As the COVID-19 pandemic has continued throughout 2021, protecting the health of individuals and limiting the transmission of the coronavirus remained a key priority. However, the potential impact on mental health, communication and connection was not underestimated. Throughout 2021, regular surveys with co-workers informed plans to enable a hybrid working approach, providing greater flexibility for co-workers, harnessing the benefits of both remote and office working, and prioritising our customers.

[1] As published in the Current Account Switch Services Dashboard by Pay.uk at www.bacs.co.uk/Resources/FactsandFigures/Pages/CurrentAccountSwitchServiceStatistics.aspx

Equity, Diversity and Inclusion (EDI) continued to be an important focus during 2021 in which creating a co-worker population representative of our customers and communities remained a priority. Triodos Bank UK benchmarks itself against local and national data, aiming to attract and recruit individuals from underrepresented sectors of the communities in which we operate. Following its EDI strategy established in 2019, the Bank has gone from less than 10% of offers to minority ethnic candidates in 2019 to 22% offers to minority ethnic candidates in 2021. This is a higher level of minority ethnic representation than exists in Bristol where the UK Head Office is located (*Source:* https://www.bristol.gov.uk/statistics-census-information/the-*population-of-Bristo*l).

2021 also saw greater focus on social mobility, with the introduction of a contextual recruitment system to our recruitment process. 2021 saw the launch of the Triodos Inclusion Forum (TIF), a group of individuals from across the UK bank, committed to improving and supporting our EDI strategy and initiatives. We have continued to participate in a number of initiatives to promote EDI, including:

- Living Wage Employer;
- Inclusive employers;
- Women in Finance Charter;
- Disability Confident Committed;
- B Corp Certification; and
- Trained Mental Health First Aiders (MHFA England).

Equity, Diversity and Inclusion training for all Triodos Bank UK co-workers became a mandatory requirement of our co-workers in 2021. At year end, Triodos Bank UK employed 253 people (236.5 FTE), with attrition at 15.12%. Overall, the gender ratio is 45% male, 55% female and at senior management levels 56% male, 44% female.

Triodos Bank UK measures and monitors gender pay gap with 2021 data showing a 21.8% gender pay gap, driven primarily by a larger proportion of men in middle management roles. Triodos Bank UK ultimately wishes to achieve a zero pay-gap, and a road map was developed in 2021 to identify some areas of focus to reduce it. Actions such as the use of inclusive language, flexible contracts and targeted advertisements are all ways in which to improve the attractiveness of Triodos to senior women and to encourage gender balanced recruitment shortlists. Pay ratios (highest to median salaries) for Triodos Bank UK are published as part of the consolidated Triodos Bank Annual Report.

Environment

The mission of Triodos Bank means that we finance enterprises that make a positive environmental difference as well as taking great care of our own environmental performance. All the lending of Triodos Bank UK is subject to lending criteria that minimise negative impacts and promote environmental benefits. As a corporate group, Triodos Bank measures the environmental impact of our operations and the impact of our portfolio.

Full details and a comprehensive description of our approach and methodology can be found in the consolidated Annual Report for Triodos Bank (Web address – to be confirmed). The consolidated group Annual Report is an integrated report which reports against the Sustainable Development Goals and according to the Global Reporting Initiative Framework.

Principal risks and uncertainties

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

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

Triodos Bank UK's RMF seeks to align to the Triodos Bank Group Risk Management Framework. However, it also reflects the UK regulatory environment where necessary, as guided and approved by the Audit and Risk Committee (ARC).

The Board sets clear risk appetite statements, driven in conjunction with the 3-year strategic planning process, and both inputs support the RMF content. The CRO also undertakes an annual review 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.

Triodos Bank UK maintains a risk taxonomy to support the structure for managing risks with the RMF. An outline of the primary risk types within this taxonomy, together with an operational level risk review of each, is included in the table below:

Primary Risk	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.	The senior executive governance committee is referred to as the 'Core Management Committee' (CMC). The CMC monitors financial performance trends monthly through the actual versus forecast management information; this is also a component of the standard Board reporting. 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. The external environment has created business performance challenges during the year, centred around the COVID-19 impacts faced by our customers, but overall business performance has nevertheless been strong.
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.	The CMC monitors the related aggregated risk profile at their monthly meetings, driven from established underlying processes across a range of potential sources of Triodos Bank UK's Reputational Risk, e.g., complaints received and negative press / social media / current net promoter score coverage. The current Reputational Risk profile is considered to be within the risk appetite. However, where necessary, the underlying processes will identify any potential areas of concern and escalate to the CMC, ARC and/or Board for appropriate management.

Capital Risk The risk of solvency failure due to insufficient capital reserves. Incorporates: Regulatory Capital, Capital Management and Financial Reporting Risks.	Capital risks are managed initially through a CMC sub-committee; the Asset and Liability Committee (ALCO), with escalations up to the CMC, ARC and/or Board as appropriate. Triodos Bank UK maintains capital levels to ensure a prudent level of solvency and seeks to create a sustainable business model that generates stable income so that the Bank can organically accumulate capital in line with the Risk Weighted Assets (RWA) growth and deliver returns to shareholders in line with the Group's mission. The Treasury team develops effective process to manage and control capital on a day-to-day basis with oversight from the Risk team. Capital ratios relating to both the quantity and quality of capital are regularly reviewed as part of the Bank's Risk Appetite. The annual ICAAP stress tests the Bank's capital ratios across its business planning horizon.
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, Cyber & IT Systems, Operational Resilience (incorporating Continuity), Data Protection & Information Security, Outsourcing, Model and Change Risks.	Operational risks are managed initially through a CMC sub-committee; the Non-Financial Risk Committee with escalations up to the CMC, ARC and/or Board as appropriate. The established RMF provides for the management of Operational Risk, through the system of controls, inherent risk registers, current and emerging risk logs, and risk event / near miss reporting. Triodos Bank UK continues to further strengthen the established operational resilience framework, principally through the ongoing maturity development of risk appreciation across the business.
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 risks are also managed initially through the Non-Financial Risk Committee with escalations up to the CMC, ARC and/or Board as appropriate. The established RMF provides for the management of Compliance Risk against the context of the Bank's regulatory footprint; management provided through systems and controls, including identification of current and emerging regulatory requirements, risk and control self-assessments and the use of risk event / near miss reporting to identify regulatory breach situations. Regular reviews of the RMF and risk and control environment, in line with continuous improvement are conducted to strengthen further the established framework, principally through the ongoing maturity development of compliance-risk appreciation across the business.

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 risks are managed initially through the Non-Financial Risk Committee with escalations up to the CMC, ARC and/or Board as appropriate. Appropriate conduct is an inherent component across all the Bank's operational activity, and embedment of this continues, together with the following specifics: • The Bank is committed to working with its customers and service providers to ensure that its products are simple, fair and transparent. • A programme of customer satisfaction research is established to support driving further enhancements and improvements to customer service. • Complaints are monitored along with a broad range of other conduct risk metrics at Executive and Board Committees on a monthly basis. • Product governance is overseen and monitored by a Product Governance Committee. • Particular consideration is given to the treatment of Vulnerable Customers.
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.	Retail and Commercial Credit risks are managed initially through a CMC sub-committee, the Credit Committee, and Counterparty Credit risks are managed through ALCO. Subsequent escalations are made from both up to the CMC, ARC and/or Board as appropriate. Business lending is a core activity of the Bank and in response has an experienced Credit Risk team established which reviews applications in accordance with the established Board approved lending and sector policies. Triodos Bank UK has a conservative and reasonably balanced portfolio, in line with the Bank's mission and desired impact, supporting customers through the economic cycle and generating ROE aligned with the bank's mission, business plans and impact. The established risk appetite has on balance driven a relatively good quality lending portfolio maintained by the Credit Risk team's effective oversight and monitoring activity.
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 risks are managed initially through ALCO, with subsequent escalations up to the CMC, ARC and/or Board as appropriate. Liquidity risk is defined by the Overall Liquidity Adequacy Rule (OLAR) and assessed and managed by the Board within the approved Internal Liquidity Adequacy Assessment Process (ILAAP). These

	requirements incorporate appropriate stress testing to maintain the Bank's balance sheet strength. The Treasury team develops effective process to manage and control liquidity and funding on a day-to-day basis with oversight from the Risk team. The Bank aims to always 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 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. The Bank continues to benefit from a strong liquidity position due to the nature of its customer base and no reliance on wholesale funding.
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 risks are managed initially through the ALCO, with subsequent escalations up to the CMC, ARC and/or Board as appropriate. The majority of Triodos Bank UK's 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.

Uncertainty is not conducive for stability. During 2021 the COVID-19 pandemic continued to develop, creating uncertainty for Triodos Bank. The UK's departure from the European Union (Brexit) leads to continued uncertain regulation development including potential for future divergence from EU regulatory requirements. These impacts created significant risks for the Bank and are included below within several principal risks managed by Triodos Bank UK through the established RMF.

While the uncertainties identified here impact across the risk taxonomy the most significant impacted risk types are credit risk, followed by operational risk. The main residual uncertain impact from COVID-19 is expected to be on credit risk. Financial and specifically credit risks from climate change have been comprehensively assessed and the risk framework has been updated to capture the expected impacts. Operational resilience enhancement is another key regulatory focus area, with Operational risk being the most obviously impacted risk type, but with impacts across the taxonomy.

These are summarised as follows:

COVID-19

Like all businesses across the world, the pandemic has created significant challenges and uncertainty. The Bank's established crisis management and business continuity framework was successfully instigated at the outset to administer, manage, and govern the ongoing responses as the pandemic progressed.

As the extent of the pandemic continued to develop, Triodos Bank UK's Crisis Team, comprising appropriate members of the Bank's senior team, continued to manage and govern the situation, with ongoing communication with all appropriate stakeholders including the Board.

The impacts on the Bank's business included amended daily working practices, maintenance of effective corporate governance, maintaining effective customer facing processes, understanding and managing the impacts on our depositor base, understanding and managing the cash flow implications on our business portfolios, and effectively managing our ongoing solvency position.

The Bank's established control environment effectively responded to, and mitigated, the risks and impacts faced to date and remain focused on that position. The control environment has been subject to monthly regulatory focus and challenge by the PRA for most of the year. Regular focus will continue in 2022.

Operational Resilience

Operational Resilience remains a joint (PRA & FCA) regulatory focus with the Policy coming into supervision from April 2022. The Triodos Bank UK's Board has adopted the following definition of Operational Resilience as "The ability …to prevent, adapt and respond to, recover and learn from, operational disruptions."

The Bank has an Operational Resilience Framework with eight Important Business Services (IBS) and has a defined Impact Tolerance for each. All aspects of the Framework development met the March 2022 deadline. The next three years will see continued enhanced resilience and embedding of the Framework.

In line with the regulatory expectation, the Bank will be investing to enhance the dependencies that support the delivery of the IBS along with a rigorous programme of scenario testing of the Bank's ability to recover within the set Impact Tolerances in the event of a disruption and to ensure we are able to prevent intolerable harm to our customers and to the Bank's financial safety and soundness.

Climate change

We want to be net-zero as early as possible, at the latest by 2035, with an ambition that the greenhouse gas emissions of all Triodos Bank's loans and funds' investments will be greatly reduced, using a science-based targets approach.

Triodos Bank published its Net Zero Target and Strategy in November 2021 which shows how we will play our part in managing climate change as part of the global agenda:

This is not about Triodos Bank. It's about our clients, our stakeholders and everybody who wants to be included in a just transition towards that goal. In formulating its target, Triodos Bank has adopted a holistic approach in support of its mission to create positive impact on people and nature. Triodos Bank wants to reduce emissions, whilst also considering for instance biodiversity and social inclusion of all people. It wants to intensify its collaboration with clients, customers and other stakeholders to reach this challenging but realistic target. We can only get to zero as one.

By setting a target for 2035, we show that we realise we're in a race and we're fully committed. By reaching out, we show that we realise we can only do this together. As One to Zero is our assignment to ourselves and a promise to the world.

Further information can be found at: triodos.co.uk/press-releases/2021/triodos-bank-sets-target-to-reach-net-zero-by-2035

Triodos Bank recognises the importance of understanding both the risks and opportunities arising from the changing climate, and supports the recommendations of the Taskforce for Climate Related Financial Disclosures (TCFD) and has measured the emissions of Triodos Bank's entire portfolio of loans and direct investments using the Partnership for Carbon Accounting Financials (PCAF) standards for the last 2 years.

Our mission, purpose and values encourage businesses which add cultural value, are socially responsible and support a sustainable society. As a result, Triodos Bank has a higher, than industry average, mix of lending to businesses that are actively combatting climate change. This, however, does not mitigate the risk to Triodos Bank and its customers' businesses of negative events occurring due to climate change.

During the year Triodos Bank further considered the potential risks arising from climate change, including on our entire portfolio of loans and investments. Co-workers from teams across the business, the Management Team and the Board have all collaborated in ideation sessions to explore climate related risks that are almost certain, through to highly unlikely or implausible.

Next to the regular stress scenarios, Triodos Bank performs a specific scenario dedicated to climate risk. Climate risk contains two elements: i) transition risk (risk related to the transition of fossil sources of energy to sustainable ones), and ii) physical risk (the risk of changing weather conditions, which may be of an acute or chronic nature).

Given that sustainability considerations are a starting point within Triodos Bank's lending processes, transition risks are minimal in its loan portfolio. Triodos Bank's lending is already focused on financing enterprises contributing to a low-carbon future.

Triodos Bank's portfolio could be impacted by the physical risks of climate change. Regarding physical risk, the changes in climate leading to storms, floods and droughts may have an impact on its assets. In the longer term, impact on weather conditions (such as wind and solar resources) may affect renewable energy generation.

Triodos Bank carries out annual climate stress tests which take extreme but plausible situations into account. As part of determining the scenarios, it evaluates whether extreme weather situations could impact the bank's resilience with a three-year time horizon. Currently, the conclusions are that material impact within this time horizon is unlikely.

Climate change risk is embedded within the Risk Management Framework of Triodos Bank and uses the existing risk taxonomy structure of primary and secondary risks. Embedding climate change within the existing frameworks supports ownership and accountability within the Management Team and encourages a deeper understanding of the risks identified.

Members of the Management Team are responsible for the identification of mitigating actions to manage the climate related risks identified. Actions will be dependent on the short/long term nature of the risk and could include policy changes, supporting customers through physical adaptations, keeping pace with changing regulations, understanding shifting customer sentiment, enhancement of data and wider industry engagement.

The Board has regular oversight of climate risks through its' monitoring of the Climate Change Risk Appetite Statement and as a systemic risk within the executive risk register of Triodos Bank. In 2021 It reviewed and approved the Triodos Bank UK response to the requirements of PRA's Supervisory Standard on managing the financial risks from climate change, SS3/19.

The Board actively encourages the identification of near-term and longer-term risks arising from climate change but recognise that greater clarity will come as climate related data and modelling techniques continue to evolve and support a greater understanding of the characteristics that will drive increased risk.

Triodos Bank is using the Bank of England climate stress testing scenarios as a basis for some of the initial stress testing to further its understanding of the potential increase from a range of extreme future climate changes.

Properties used as collateral in the business loans portfolio are subject to assessment for flood risk as part of existing lending policies, providing mitigation against the impact of future flooding events.

Whilst a risk to manage, Triodos Bank welcomes the increasing regulatory and political focus on climate change as we continue to actively influence this global agenda with activity that remains aligned to our mission, purpose and values.

Customers

Transparency and integrity continue to drive the culture of Triodos Bank UK, particularly in our approach to delivering fair customer outcomes. This is in line with our approach to Conduct Risk as well as Customer Vulnerability, and The Board regularly monitors a suite of metrics designed to determine and evidence the fair treatment of customers. The ongoing impact of COVID-19 on customers has been regularly reviewed for both retail and business customers and those customers requiring tailored support receive a fair review of their circumstances and appropriate measures agreed. This can range from signposting to independent support organisations, freezing interest charges or agreeing repayment plans and ongoing contact. Enhanced support for Vulnerable Customers, in line with FCA guidance, is achieved through ongoing delivery of Triodos-specific training, and the launch of a new role of a customer vulnerability specialist within the contact team.

Growing on the foundations of a more digital operating model that was launched in 2021, Triodos Bank UK has succeeded in simplifying more processes and reducing friction in the customer journey. In light of our commitment to our existing customer base, a digital support champion role has been launched via Citizens Online, a charity that is drives support for customers through digital inclusion and to ensure no one is left behind in the digital world. The Bank has actively reached out to customers to offer tailored, one to one support and this partnership is progressing into 2022, once again supporting the mission for fairer, more transparent banking.

Sector competition

Triodos Bank UK's chosen sectors have historically been relatively niche markets. Increasing environmental awareness and action, especially as an evolving outcome from COVID-19, provides continual strong competition in the sector. Mainstream banks increasingly embrace sustainability as a business opportunity and compete aggressively to take advantage of available lending opportunities, while FinTechs (financial services businesses) create new fields of competition and raise customer expectations which challenge our relationship approach. The increase in cybercrime is forcing the organisation 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 perspective (customer treatment) and environmental aspects given climate change concerns. The Triodos Bank UK approach remains distinct in terms of a deeper focus on social equality; treating customers in the same way we approach business in general, evidenced through, for example, highlighting there is no such thing as free banking (and hence charging for current accounts).

Equity, Diversity, and Inclusion

As referred to above in the co-worker section, Equity, Diversity and Inclusion (EDI) continues to be a focus of Triodos Bank's UK people strategy, creating and embedding a diverse and inclusive co-worker community. Triodos Bank UK participated in responding to the FCA, PRA and Bank of England joint Discussion Paper DP 21/2 Diversity and Inclusion in the financial sector, to support a collective commitment across the industry towards driving faster change in Diversity and Inclusion in the financial sector.

The Triodos Bank UK 2021 EDI strategy saw several successes including a significant increase in diversity of candidates recruited into the bank, in which they are recruiting a higher proportion of co-workers from non-white groups than live in the local Bristol community. (reference Bristol census data, 2011). 2021 saw the launch of the Triodos Inclusion Forum (TIF), a group of co-workers from across the UK bank, committed to improving and supporting our EDI strategy and initiatives. The Whistleblowing policy review and refresh in preparation for the move to the Triodos Group shared 'SpeakUp' platform and a review of hybrid working in light of the FCA guidance was undertaken. A number of other EDI related initiatives are mentioned in the co-worker section above.

Triodos Bank UK's EDI strategy will continue to evolve in 2022 in line with regulatory expectations, with plans to support social mobility and create greater gender and minority ethnic representation across the bank. Further information and updates can be found on our website: Diversity and inclusion | Triodos Bank

Consumer Duty

FCA Consumer Duty changes is a major UK regulatory initiative which will impact all UK firms. It will impact customer interactions at all levels and is a major regulatory cross-sector initiative aimed at improving outcome delivery and ongoing management for consumers. The delivery of the FCA Consumer Duty changes introduces a principle for higher level standards of Conduct for Triodos Bank UK and a decrease in regulatory tolerance for financial crime systems and controls failings. Triodos Bank UK fieldwork has been focused on the delivery of customer outcomes in line with FCA Consumer Duty commentary provided to firms throughout 2020 and 2021. This fieldwork is ongoing.

The FCA Policy Statement with final rules is due at the end of July 2022 with an expected implementation deadline of the end of April 2023. Triodos Bank UK will conduct an initial gap analysis to both evidence consideration of these changes and provide an assessment of risks and issues. The FCA have specifically commented that they expect firms to use a consumer-focused lens when undertaking this exercise, and firms will be assessed (post April 2023) on how they reviewed their activity and products against regulatory expectations outlined in the papers provided to date.

Subsidiarisation

Following its subsidiarisation, Triodos Bank UK continues work to mature and embed its local RMF. The continued areas of focus within Triodos Bank UK are:

- Ensuring appropriate resourcing and investment to drive through the necessary underlying enhancements to the strength and quality of our RMF.
- Ensuring appropriate management of Triodos Bank N.V. as a principal ‘third party’ supplier.
  Triodos Bank UK’s business model continues to retain Triodos Bank N.V. as a principal provider of services. This model is expected to continue for the foreseeable future, and, whilst there are benefits to this relationship, it does create additional risk and requires appropriate governance within the UK subsidiary.
- Ensuring regulatory divergence between the UK and EU is captured and managed.
  This may lead to potentially increased costs of maintaining regulatory compliance both within the UK and as part of an EU-based group.
- Ensuring continued Operational capability change.
  To address the risks detailed above Triodos Bank UK has involved ongoing significant ‘change’ requirements across its operations and this programme of change continues to enhance and embed local risk management. There has been a significant uplift in the Bank’s capabilities in respect of the ongoing automation of controls, and business continuity / operational resilience controls.

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 of the 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 values and mission of Triodos Bank have again been instrumental in our response to the continued uncertainty of the COVID-19 pandemic.

Enhancements to governance and risk and control frameworks have been a theme with a particular focus on operational resilience and anti-money laundering and fraud. Change projects have also been a priority to support the ambition of becoming a more digital bank in order to provide our customers with high quality service and to offer more protection.

In the year of the United Nations Global Climate Change Conference of the Parties (COP26), there has been a global spotlight on creating sustainable finance systems. Pioneering the way for environment and climate change, Triodos Bank announced its ambitious net zero target by 2035. It also became a signatory to the Net Zero Banking Alliance and provided global leadership in co-founding the Partnership for Carbon Accounting Financials.

A significant focus of the Board has been continuing to manage the ongoing impact of the COVID-19 pandemic, by ensuring that the Bank remained resilient, that customers continued to have support, and that operational adjustments were embedded so that co-workers had effective and flexible arrangements to work in a hybrid way. 2021 demonstrated that Triodos Bank UK's established crisis management and business continuity planning remains robust, and that the Bank can successfully serve customers with the majority of co-workers working remotely.

Shareholder

Triodos Bank is the sole shareholder of Triodos Bank UK, and both share a mission to create positive social, environmental and cultural change. 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.

Suppliers

The Board is committed to living Triodos Bank values through its sustainable procurement practices, combining social and environmental aspects whilst ensuring commercial value when procuring goods and services. Triodos Bank UK seeks long-term mutually beneficial relationships with our supply base, established via competitive, ethical and fair market practices with the needs of Triodos Bank customers and suppliers at the core. European Union law, UK Law and international best practice are fully complied with in all our commercial dealings.

Our policies outline our ambition to work in partnership with suppliers to align positive impact ambitions and promote the use and adoption of whole life cost, more sustainable products, production processes, and supply chains.

Triodos Bank UK has worked closely with suppliers to address and adapt to the challenges throughout the COVID-19 pandemic to support long term supplier relationships, continuing to honour commitments despite reduced need across the business. Remote working has been successful across the organisation and the supplier base, with services remaining robust throughout this period, and causing minimal disruption to our customers.

In 2022, the Board will continue to respond to the evolving regulatory landscape and maturing the supplier management function further by investing in operational resilience, governance, monitoring and control of supplier relationships. This includes new regulations introduced via EBA Guidelines on Outsourcing Arrangements ("GOA"), the PRA Supervisory Statement SS2/21 and Phase 1 of the FCA's Operational Resilience programme. These policies address the ability of firms, financial market infrastructures and the financial sector as a whole to prevent, adapt and respond to, recover and learn from operational disruption.

Co-workers

The Directors' understanding of the interests of co-workers has been established 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.

Monitoring co-worker well-being has continued to be a priority throughout 2021, given different challenges arising from remote working. An active campaign to offer support, opportunities to connect and a greater focus on mental health at the start of the pandemic has evolved into a permanent approach to hybrid working called

‘Be Your Best at Work’. Throughout 2021, regular surveys with co-workers informed plans to enable a hybrid working approach, providing greater flexibility for co-workers, harnessing the benefits of both remote and office working and prioritising our customers. In December 2021 a ‘pulse’ wellbeing survey was launched, ensuring that regular touch points throughout 2022 with all co-workers will be undertaken with a particular focus on this important topic. Triodos Group have also re-launched the biennial all co-worker engagement survey, last undertaken in 2019. The results of this survey will be available in the first quarter of 2022.

The Board oversaw the development of a new People Strategy 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. The Board had an increased focus on Conduct to ensure that co-workers continued to do the right thing.

Regulators

The Board is committed to demonstrating that Triodos Bank UK is diligent not in only meeting regulatory requirements but also in maintaining a resilient business that has a keen focus on the interests of its customers. The Directors of Triodos Bank UK have relationships with the Bank’s regulators based on openness and transparency.

Throughout 2021, as the COVID-19 pandemic continued to develop, 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 to maintain regulator engagement and demonstrate that Triodos Bank UK was safeguarding and supporting our customers’ interests. Where the Bank was challenged by pandemic events, for example, unexpected customer call volumes increased call waiting times, the Bank was pro-active in advising the regulators and providing a remediation plan to address the issue and ensure there was no customer detriment.

Future developments

We have the ambition to grow its bank balance sheet consistently, maintaining a stable loan to deposit ratio. Both will increase our positive impact, contributing to a fair return while maintaining an overall modest risk appetite.

External developments may influence the ability to grow volumes and profit. We will respond to these developments, seizing the opportunities that present itself in a pro-active way. Fulfilling our mission while maintaining a sound level of risk and return remain key. In addition, we will therefore continue to work on improving cost efficiency.

Together, these efforts are expected to lead to more impact, the realisation of profitable growth within a challenging interest environment and ensure we can meet increasing regulatory requirements. We are confident that Triodos Bank will be able to fulfil its frontrunner role to ‘Change Finance’ and help support our customers to deliver the positive change the world’s sustainability challenges demand.

The geographical diversification of the loan portfolio contributes to a modest asset risk profile and therefore reduces the earnings volatility. As the change in economic patterns post the COVID-19 pandemic continues to evolve and economic developments will remain uncertain the net impact on the bank’s credit risk profile is expected to evolve through 2022

Triodos Bank’s capital and liquidity position is in line with internal target ratios and well above the regulatory minimum requirements. In the second half of the year Triodos Bank is expecting to receive guidance from the regulator about the new MREL[1] capital requirement, which results from the implementation of the guidelines on capital reserves set by the European Banking Authority (EBA) for banks in the Eurozone. This might result in additional funding costs.

In the short-term, our business customers might face economic challenges, especially if COVID-19 related government support schemes expire. However, in the medium and long term, we believe our customers are well positioned to be part of the economic recovery - more sustainable and socially inclusive - that is expected to emerge and to contribute tangible impact to our societies.

We will expand on our ambitious, science-based net zero target of 2035, aligned to 1.5 degrees, and continue to not only finance change, but also strive for a banking world that is sustainable, transparent, and diverse. The bank has bold ambition built upon fairness and compassion and we will work with energy and optimism towards a better future

Approval

Approved by the Board of Directors on 27 April 2022 and signed on its behalf by

Gary Page	**Bevis Watts**
Chair	**Chief Executive Officer**

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2021 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)
Gary Page	Chair, Independent Non-Executive Director, Member of Audit & Risk Committee	3
Richard Burrett	Independent Non-Executive Director, Chair of Audit & Risk Committee	5
Karen Furlong	Independent Non-Executive Director	6
Pierre Aeby	Non-Executive Director, Member of Audit & Risk Committee	5
Bevis Watts	Executive Director	5

The Board aims to meet at least eight times per year. During 2021, there were seven planned Board meetings including a separate Strategy Day, and 14 special, short meetings which were convened to ensure the Board addressed issues emerging from the COVID-19 pandemic. In 2021, Board attendance was close to 100% for the planned meetings with only one Director missing two of the seven planned meetings.

The Board of Triodos Bank UK have established an Audit & Risk Committee to support the work of the Board, which aims to meet at least four times per year. The members of the Audit & Risk Committee are Richard Burrett (Committee Chair), Pierre Aeby and Gary Page. In 2021, the Committee held four planned meetings and two additional short meetings to consider emerging issues. Attendance was close to 100% for the planned meetings with only one Director missing one of them.

Directors' recruitment and diversity[2]

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 and internal HR department. All 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 and 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. Currently, the Board only includes one female Director which at 20%

[2] As required for the Pillar 3 Report

of the total is below the 30% target. 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.

Results and dividends

The profit for the year, after taxation, was £7.8 million (2020: £5.6 million). Due to uncertainties in the current economic and credit market context, no dividend (£nil) is proposed for 2021 (2020: £2.3M dividend).

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 2021 and as at the date of approval of this report.

Political and charitable donations

Triodos Bank UK donated £44,143 to charitable organisations in 2021 (2020: £62,000). Triodos Bank UK has not made any donations to any registered UK political party.

Significant events since year end

Fitch Ratings announced on 4 February 2022 that it has affirmed our shareholder Triodos Bank NV's Long-Term Issuer Default rating at 'BBB' and Viability Rating at 'bbb'. The outlook is stable. According to Fitch, Triodos Bank NV's ratings reflect its established niche franchise in the sustainable banking segment and a sound record of execution on its strategy. The bank's adequate asset quality and healthy funding and liquidity profile support the ratings. Triodos Bank UK Ltd is included in the assessment as part of Triodos Bank N.V., but does not have its own credit rating.

The invasion of Ukraine by Russia at the end of February 2022 presents new uncertainty. Triodos Bank is deeply concerned about Russia's attack on a sovereign European country and feels for the people in Ukraine. The impact in the short term and the longer term on society and financial markets is hard to predict at the time of publication of our annual report. Triodos Bank does not have direct exposure in Russia, but we anticipate that the effects on society and financial markets will, amongst others, influence management fees and Expected Credit Losses. It is hard to predict the further impact of the war in Ukraine on our activities and our ability to realise our ambitions for the year. In responding to these developments, fulfilling our mission while maintaining a sound level of risk and return will remain key. Connections of our business with Ukraine and Russia are considered very limited. There are no identified links in our credit portfolio or Treasury activities with Ukraine or Russia.

After the year end, our Shareholder-appointed Non-Executive Director, Pierre Aeby, announced his intention to retire from the Board at the end of his term on 31 March 2022. To replace him on the Board, the Executive Board of Triodos Bank approved the appointment of Wibout de Klijne, with effect from 1 April 2022.

The directors agreed payment of no dividend (£nil) at the meeting of the UK Board in April 2022 (2020: £2.3M dividend).

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 2021 not otherwise disclosed in this report.

Future developments

The ambition and plans for the future development of Triodos Bank UK are set out in the Strategic Report (on page 20).

Employee engagement and business relationships

How the Directors engage with key stakeholders such as co-workers, customers and suppliers are considered a fundamental aspect of Triodos Bank UK's mission and values and are therefore detailed in the Strategic Report (on page 18).

GHG emissions, energy consumption and energy efficiency

Mandatory reporting of GHG emissions, energy consumption and energy efficiency is provided in the consolidated Group Annual Report.

Triodos Bank UK is a founding member of the UK coalition of the Partnership for Carbon Accounting Financials (PCAF), a globally recognised standard for carbon accounting, and which has been used for the last 3 years to measure and publish the emissions of Triodos Bank's portfolio of loans and direct investments.

The report on how the PCAF standard is applied to Triodos Bank's portfolio is available at www.annual-report-triodos.com

Statement of Directors' responsibilities with respect to 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 the political environment in the UK, future projections of profitability, cash flows and capital resources. The Directors have also considered the UK's withdrawal from the European

Union and the COVID-19 outbreak and their possible short and long-term impacts on the Bank and its stakeholders.

In response to the COVID-19 pandemic, the Bank has demonstrated an ability to successfully operate and serve its customers with the majority of co-workers working remotely. We recognise that working from home can present challenges to co-workers' well-being and therefore maintaining effective and flexible support for co-workers will continue to be vital. The principal risk to the Bank from the impacts of COVID-19 is credit losses. The Directors have made provision for expected credit losses and, although further losses are possible given the evolving situation, these are considered highly unlikely to affect the Bank's going concern status as the Bank has maintained a strong capital position. The impact of COVID-19 is considered more fully in the Strategic report.

The principal risk to Triodos Bank from the UK's withdrawal from the European Union was addressed through subsidiarisation in 2019. Of the remaining risks (described in the Strategic report), the impact of increasing regulatory divergence from the European Union is considered the most significant and will continue to be monitored and addressed, but is not considered likely to affect the Bank's going concern status.

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 April 2022 and signed on its behalf by

Gary Page

Chair

Bevis Watts

Chief Executive Officer

FINANCIAL STATEMENTS 2021

Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Interest income	1	39,075	37,933
Interest expense	2	(2,900)	(5,613)
Net interest income		**36,175**	**32,320**
Fee and commission income	3	4,221	3,172
Fee and commission expense	3	(1,520)	(932)
Net fee and commission income		**2,701**	**2,240**
Other operating income/(expense)	4	232	(8)
Total income		**39,108**	**34,552**
Personnel expenses	5	(12,087)	(10,384)
Other administrative expenses	6	(16,384)	(15,165)
Operating expenses		**(28,471)**	**(25,549)**
Impairment loss on financial instruments	26	(2,159)	(2,972)
Profit before tax		**8,478**	**6,031**
Tax on profit	8	(637)	(390)
Profit and total comprehensive income for the year		**7,841**	**5,641**

Accounting policies on pages 32 – 44 and Notes on pages 45 – 70 form an integral part of these financial statements.

Balance sheet as at 31 December 2021

	Note	31-Dec-21 £'000	31-Dec-20 £'000
Assets			
Cash and cash equivalents	9	374,820	375,679
Loans and advances to credit institutions	10	42,177	22,705
Loans and advances to customers	11	1,132,132	1,070,386
Debt securities	12	269,035	153,005
Intangible fixed assets	13	1,183	1,312
Property, plant and equipment	14	11,957	12,327
Right of use assets	15	1,180	1,322
Deferred tax asset	16	238	161
Other assets	17	1,742	2,473
Total assets		**1,834,464**	**1,639,370**
Liabilities			
Deposits from credit institutions	18	27,899	34,142
Customer accounts	19	1,607,602	1,412,742
Debt issued	20	5,736	5,703
Lease liabilities	15	1,205	1,332
Current tax	8	382	218
Other liabilities	21	3,886	3,219
Provisions	22	861	662
Total liabilities		**1,647,571**	**1,458,018**
Equity			
Called up share capital	23	172,000	172,000
Merger reserve		55	55
Retained earnings		14,838	9,297
Total equity		**186,893**	**181,352**
Total equity and liabilities		**1,834,464**	**1,639,370**

Accompanying Notes on pages 45 – 70 form an integral part of these financial statements.

The financial statements of Triodos Bank UK Limited (registered number 11379025) on pages 26 - 70 were approved by the Board of Directors and authorised for issue on 27 April 2022. 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 2021

	Called up share capital £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	172,000	55	3,656	175,711
Total profit and comprehensive income	-	-	5,641	5,641
Balance at 31 December 2020	**172,000**	**55**	**9,297**	**181,352**
Total profit and comprehensive income	-	-	7,841	7,841
Prior year dividend paid	-	-	(2,300)	(2,300)
Balance at 31 December 2021	**172,000**	**55**	**14,838**	**186,893**

Accompanying Notes on pages 45 – 70 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 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
Profit before tax		8,478	6,031
Adjustments for:			
Depreciation and amortisation		980	895
Loss on fixed asset disposal		-	6
Debt securities premium and discount amortisation		1,509	1,182
Increase in Expected Credit Losses on financial instruments		2,268	1,721
Increase in provisions		199	174
Interest on lease liabilities		28	39
Tax expense		(637)	(390)
Cash flow from business operations		12,825	9,658
Changes in net operating assets:			
Increase in loans and advances to customers		(64,020)	(96,953)
(Increase)/Decrease in deferred tax asset		(77)	10
Decrease in other assets		730	6,383
(Decrease) in deposits from credit institutions		(6,243)	(2,114)
Increase in deposits from customers		194,863	256,795
Increase/(Decrease) in current tax liability		164	(381)
Increase/(Decrease) in other liabilities		667	(5,283)
Cash flow from operating activities		**138,909**	**168,115**
Cash flow from investment activities			
(Investment)/ Divestment in intangible assets		(85)	28
Investment in property, plant and equipment		(254)	(471)
Investment in debt securities		(138,211)	(61,980)
Sale of debt securities		5,128	-
Maturity of debt securities		15,500	23,900
Increase/(Decrease) in interest receivable on debt securities		49	(841)
Cash flow from investment activities		**(117,873)**	**(39,364)**

Cashflow from financing activities			
Dividends paid		(2,300)	-
Payment of lease liabilities		(156)	(140)
Increase in debt issued and borrowed funds		33	5,703
Cash flow from financing activities		**(2,423)**	**5,563**
Net cash flow		**18,613**	**134,314**
Cash and cash equivalents at the beginning of the year		398,385	264,071
Cash and cash equivalents at the end of the year		416,998	398,385
Represented by:			
Cash and cash equivalents	9	374,820	375,679
On demand deposits with credit institutions	10	40,979	21,405
Other loans and advances to credit institutions	10	1,199	1,301

Accompanying Notes on pages 45 – 70 form an integral part of these financial statements.

Accounting Policies

General

Triodos Bank UK Limited 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. Triodos Bank UK Limited is not directly impacted by LIBOR reforms as none of the loan agreements reference this benchmark.

Basis of preparation

The Directors present the financial statements of Triodos Bank UK Limited for the year ended 31 December 2021. 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 Ltd. 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 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 income.

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.

Application

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 whether there is objective evidence of impairment. 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 revenue 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 which do not have objective evidence of impairment, 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 objective evidence of impairment 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.

Expected credit losses are a probability weighted estimate of credit losses, considering various scenarios. For doubtful debtors scenarios are specific to the circumstances of the debtor, whereas for all other financial assets and off-balance sheet liabilities the scenarios are based on macro-economic conditions.

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 comparing:

- The remaining probability of default (PD) as at the reporting date; with
- The remaining PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

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.

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 mainly 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. For loans and advances to customers all three elements require judgements or estimates that significantly impact the value of impairment losses.

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: Significant increase in credit risk

As explained in the Impairment of financial assets accounting policy, for loans and advances to customers 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, senior management changes. – Data from credit reference agencies, press articles, 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.

This determination of what downgrade in internal credit rating constitutes a significant increase in credit risk is a key judgement.

In addition to the above, during 2020 several clients made use of general moratoria that were provided by the Bank without any additional conditions. The use of these measures has helped clients in these uncertain times, with some of these arrangements continuing into 2021. Making use of general moratoria without conditions is in itself not a trigger for significant increase in credit risk, but it could indicate a significant increase in credit risk. The Bank assessed the use of these moratoria in the different sectors within the portfolio and moved all customers in six sectors with a high dependency on these measures into Stage 2 (Retail non-food, Production, Recreation, Art and culture, Philosophy of life, Fairtrade). Healthcare was added in 2021 to reflect the ongoing stresses within this sector post-Covid. These decisions are key judgements.

B. Key estimate: economic forecasts

The Bank formulates three economic scenarios for ECL calculations: a base case, which is the core scenario, and two less likely scenarios, one upside and one downside. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities such as the Bank of England and the Office for Budget Responsibility, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key driver of credit risk is Gross Domestic Product (GDP) growth, with the interest rate level also having a small impact on one lending sector.

As described in the Key judgement: loan performance in different macro-economic conditions section below, the performance of each loan in Stages 1 and 2 is determined by the macro-economic conditions and its sector.

The economic scenarios used as at 31 December 2021 included the following GDP growth estimates and probability distribution for the years ending 31 December 2022 to 2024 and for the long-term. Taken together these are a key estimate.

	Probability	2022	2023	2024	Long-
Base	50%	5.45%	5.94%	2.00%	1.0%
Upside	25%	5.70%	7.10%	3.00%	1.0%
Downside	25%	3.80%	5.80%	1.50%	1.0%

C. Key judgement: loan performance in different macro-economic conditions

Each loan is assigned to one of 19 sectors, for example Social Housing, Renewable energy, or Art & culture. A key judgement is made to determine per sector the correlation between the change in UK Gross Domestic Product (GDP) and the probability of default (PD) and net collateral value (NCV), which is High, Medium, Low or None. The table below shows the impact per correlation level.

GDP correlation	Maximum impact; if GDP deviates by more than 2% from the long-term average	
	PD (factor)	NCV
High	5.6	15%
Medium	3.2	10%
Low	1.8	5%
None	No impact	No impact

The correlation between GDP and PD is used to translate the PD that each corporate loan is assigned at review, as explained in the Impairment of financial assets accounting policy, to a PD that is used in the ECL model. For example, if GDP is forecast to decline by 1% in a given scenario that would be a 2% deviation from the long-term forecast growth of 1%. For a loan in a sector with Medium GDP PD correlation this would therefore cause PD to increase by a factor of 3.2. Similarly, if the loan were in a sector with Low GDP NCV correlation this would cause NCV to decline by 5%, increasing the modelled loss given default.

Impacts for GDP deviations from the long-term historical average of less than 2% can be calculated by interpolation.

The table below shows the weighted average PD used in the ECL calculation per internal credit rating as at the balance sheet date. Note that these do not in all cases increase uniformly because the weighted average for each grade depends on the sector of the loans at that grade.

Grading	12-month weighted-average PD	Grading	12-month weighted-average PD
Grade 1	0.00%	Grade 8	8.03%
Grade 2	0.12%	Grade 9	11.54%
Grade 3	0.31%	Grade 10	26.67%
Grade 4	0.63%	Grade 11	31.98%
Grade 5	1.14%	Grade 12	50.51%
Grade 6	2.83%	Grade 13	100.00%
Grade 7	5.24%	Grade 14	In default

Predicted relationships between GDP and PD and NCV per sector are key judgements that have been developed based on analysis of historical data and calibrated by management judgement of the impact of the current stressed economic conditions.

D. Key estimate: effective interest rate

IFRS 9 requires Triodos Bank UK Ltd to apply the effective interest method in accounting for its financial instruments. The key impact of this is that Arrangement and Commitment fees earned as part of loan arrangements should not be recognised as they are received but should be spread across the life of the loan. They are recognised in line with the interest income rather than up front, creating deferred income.

There are two key estimates applied:

- Estimated early repayment rate
- Weighted average contractual maturity

Both are key estimates since they can make a material difference to the repayment profile of the loan so are reassessed on an annual basis. For 2021 the values applied were 5.08% and 12.4 years, respectively, which is consistent with 2020. Prior to adopting these values in 2020, the previous estimated early repayment rate was 7.58% and was applied to fees on earlier cohorts of loans (2012-2018 and 2019). In 2021, the rate of 5.08% was compared to 7.58% (on estimated total fees of £2,080k) and the difference in fee income recognised was not material (£23k, see below). The decision to use 5.08% and 12.4 years was approved by the Audit and Risk Committee in December 2021.

Fee year	Total £'000	2021 £'000	2022 £'000	2023 £'000	2024 £'000	2025 £'000	2026 £'000	2027 £'000	2028 £'000	2029 £'000	2030 £'000
Applied rate (5.08%)											
2021	2080	124	261	248	236	224	213	202	192	322	58
Comparative rate (7.58%)											
2021	2080	146	304	281	261	242	224	208	192	198	24
Difference	**-**	**-23**	**-43**	**-33**	**-25**	**-18**	**-11**	**-5**	**0**	**124**	**34**

Notes to the Financial Statements

1 Interest income

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

	2021 £'000	2020 £'000
Cash and cash equivalents	338	574
Loans and advances to credit institutions	(2)	92
Loans and advances to customers	36,928	35,617
Debt securities	1,811	1,650
	39,075	**37,933**

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:

	UK £'000	Ireland £'000	2021 Other EU £'000	USA £'000	Total £'000
Cash and cash equivalents	338	-	-	-	338
Loans and advances to credit institutions	-	(2)	-	-	(2)
Loans and advances to customers	36,098	830	-	-	36,928
Debt securities	1,211	-	600	-	1,811
	37,647	**828**	**600**	**0**	**39,075**

	UK £'000	Ireland £'000	2020 Other EU £'000	USA £'000	Total £'000
Cash and cash equivalents	574	-	-	-	574
Loans and advances to credit institutions	92	(1)	-	1	92
Loans and advances to customers	34,671	946	-	-	35,617
Debt securities	1,382	-	268	-	1,650
	36,719	**945**	**268**	**1**	**37,933**

Income in Ireland is earned on a portfolio of loans and advances to customers with a value of £27.0 million at 31 December 2021 (2020: £32.0 million). This income stream is not affected by the UK's departure from the European Union.

2 Interest expense

	2021 £'000	2020 £'000
Deposits from credit institutions	104	159
Customer accounts	2,538	5,407
Lease liability	28	39
Bond interest	228	8
Other	2	-
	2,900	**5,613**

3 Net fee and commission income

	2021 £'000	2020 £'000
Payment transactions including personal current account fees	1,214	810
Lending	1,559	1,360
Guarantee fees	17	16
Fund distribution	905	520
Corporate finance fees	526	466
Total fee and commission income	**4,221**	**3,172**
Payment transactions including personal current account fees	1,273	882
Corporate finance fees	30	17
Lending	217	33
Total fee and commission expense	**1,520**	**932**

Lending and guarantee fees include £20,000 (2020: £31,000) from customers in the Republic of Ireland. All other fee and commission income is earned in the United Kingdom.

4 Other income/(expense)

	2021 £'000	2020 £'000
Rental income from property leases	17	23
Exchange results for foreign currency transactions	(49)	(39)
Other	264	8
	232	**(8)**

5 Personnel expenses

	2021 £'000	2020 £'000
Wages and salaries	10,268	8,764
Social security costs	930	827
Other pension costs	889	793
	12,087	**10,384**

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.

	2021	2020
Monthly average number of co-workers during the year:		
Executive directors	1	1
Full-time	181	158
Part-time	49	49
	231	**208**

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. 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 £889,000 (2020: £793,000) represents contributions payable by the Bank to the scheme at rates specified in the rules of the scheme. As at 31 December 2021 £104,000 of contributions due in respect of the current year that have not yet been paid over to the scheme were included in Other payables (2020: £85,000).

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.

	2021 £'000	2020 £'000
Short-term employee benefits	325	322
Post-employment benefits	18	18
	343	**340**

One director is accruing benefits under a money purchase pension scheme (2020: one).

Information about the highest paid director during the year ended 31 December 2021 is as follows:

	2021 £'000	2020 £'000
Short-term employee benefits	190	190
Post-employment benefits	18	18
	208	**208**

6 Other administrative expenses

	2021 £'000	2020 £'000
IT costs	5,445	6,717
Intercompany recharges	2,781	2,494
Marketing costs	1,004	1,060
Office costs	1,582	1,393
Accommodation expenses	1,273	1,259
Fees for advice and auditors	1,620	1,153
External administration costs	863	595
Financial Services Compensation Scheme Levy	78	37
Travel and lodging expenses	24	37
Other costs	1,714	420
	16,384	**15,165**

7 Auditors' fees

	2021 £'000	2020 £'000
Statutory audit	206	213
Other assurance work	196	194
	402	**407**

8 Tax on profit

The tax charge for the year is calculated as follows:

	2021	2020

	£'000	£'000
Corporation tax:		
Current year	687	421
Adjustments in respect of prior years	4	(41)
	691	**380**
Deferred tax (see Note 16)		
Origination and reversal of temporary differences	(77)	10
	(77)	**10**
Other adjustment	23	-
	23	**-**
Total tax expense	**637**	**390**

Reconciliation of effective tax rate

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

	2021 £'000	2020 £'000
Profit before tax on continuing operations	8,478	6,031
Statutory tax rate	19.0%	19.0%
Tax at the UK corporation tax rate	1,611	1,146
Tax effect of non-deductible expenses in determining taxable profit	119	140
- of which recognised in merger reserve	-	-
Tax effect of non-taxable income in determining taxable profit	(104)	(197)
Community investment tax relief	(939)	(668)
Adjustments in respect of prior years	4	(41)
Decrease in carrying value of deferred tax asset	(77)	10
Other adjustment	23	-
Total tax expense	**637**	**390**
Effective tax rate	**7.5%**	**6.5%**

The tax expense for the year is lower than would be implied by the current headline 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 is provided strictly in accordance with UK tax law and has been made available to encourage this activity.

The UK Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% rate was not substantively enacted at 31 December 2021, therefore the Company has continued to measure deferred tax balances at 19%.

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.

	£'000
Corporation tax	551
Irrecoverable VAT	2,345
Employer's National Insurance	939
Business rates	272
Total tax borne	4,107

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 that the Bank operates in. Taxes are an important instrument to fund education, infrastructure and systems. As such, companies should pay taxes as an important part of their role as a responsible business.

9 Cash and cash equivalents

	31-Dec-21 £'000	31-Dec-20 £'000
Cash with the Bank of England	371,287	373,513
Mandatory reserve with the Bank of England	3,533	2,166
Balance sheet value as at 31 December	**374,820**	**375,679**

Cash at the Bank of England is held on demand, except for the mandatory reserve, which is encumbered.

10 Loans and advances to credit institutions

Amounts falling due within one year:

	31-Dec-21 £'000	31-Dec-20 £'000
On demand deposits with credit institutions	40,979	21,405
Other loans and advances to credit institutions	1,199	1,301
Expected credit loss	(1)	(1)
Balance sheet value as at 31 December	**42,177**	**22,705**

An amount was formerly held as collateral for Mastercard transactions in an account at US Bank, but this arrangement ended in 2021 so the value at 31st December 2021 was £ Nil (2020: £550,000).

11 Loans and advances to customers

	31-Dec-21			31-Dec-20		
	Gross carrying amount	ECL allowance (Note 26)	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate loans	1,134,146	(6,156)	1,127,990	1,070,849	(3,928)	1,066,921

Current accounts	4,226	(84)	4,142	3,502	(37)	3,465
Total	**1,138,372**	**(6,240)**	**1,132,132**	**1,074,351**	**(3,965)**	**1,070,386**

12 Debt securities

	31-Dec-21 £'000	31-Dec-20 £'000
Issued by public bodies	124,958	62,207
Issued by other issuers	144,081	90,808
Expected credit loss	(4)	(10)
Balance sheet value as at 31 December	**269,035**	**153,005**

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 2021	**Term of maturity less than a year £'000**	**Term of maturity more than a year £'000**
Public bodies		
Central Government	19,429	105,592
Total public bodies	**19,429**	**105,592**
Other issuers		
Credit Institutions	93	78,869
Corporate Debt Securities	125	9,386
Multilateral Development Banks	151	55,394
Total other issuers	**369**	**143,649**
Total	**19,798**	**249,241**

31 December 2020	**Term of maturity less than a year £'000**	**Term of maturity more than a year £'000**
Public bodies		
Central Government	16,070	40,933
Regional Government and Public Sector Entities	73	5,131
Total public bodies	**16,143**	**46,064**
Other issuers		
Credit Institutions	73	39,891
Corporate Debt Securities	48	9,423
Multilateral Development Banks	173	41,200
Total other issuers	**294**	**90,514**
Total	**16,437**	**136,578**

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

	2021 £'000	2020 £'000
Balance sheet value as at 1 January	153,005	115,269
Purchases	138,210	61,981
Sales	(5,128)	-
Maturity	(15,500)	(23,900)
Net (premium)/discount amortisation	(1,509)	(1,182)
Interest receivable movement	(49)	841
Expected credit loss movement	6	(4)
Balance sheet value as at 31 December	**269,035**	**153,005**

13 Intangible fixed assets

	Internally Developed Assets £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2020	1,927	88	2,015
Disposals	-	(28)	(28)
At 31 December 2020	**1,927**	**60**	**1,987**
Additions	50	35	85
At 31 December 2021	**1,977**	**95**	**2,072**
Accumulated amortisation			
At 1 January 2020	(449)	(18)	(467)
Amortisation charge for the year	(193)	(15)	(208)
At 31 December 2020	**(642)**	**(33)**	**(675)**
Amortisation charge for the year	(193)	(21)	(214)
At 31 December 2021	**(835)**	**(54)**	**(889)**
Carrying amount			
At 31 December 2020	**1,285**	**27**	**1,312**
At 31 December 2021	**1,142**	**41**	**1,183**

Internally developed assets

The internally developed assets relate to development of the Bank's personal current account offering.

These assets have an expected useful economic life of ten years. The remaining useful economic life of the assets as at 31 December 2021 is six years.

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 (2020: £nil).

14 Property, plant and equipment

	Property for own use £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2020	14,269	1,706	15,975
Additions	322	149	471
Disposals	(8)	(118)	(126)
At 31 December 2020	**14,583**	**1,737**	**16,320**
Additions	72	182	254
Disposals	-	(74)	(74)
At 31 December 2021	**14,655**	**1,845**	**16,500**
Accumulated depreciation			
At 1 January 2020	(2,175)	(1,344)	(3,519)
Depreciation charge for the year	(418)	(175)	(593)
Disposals	4	115	119
At 31 December 2020	**(2,589)**	**(1,404)**	**(3,993)**
Depreciation charge for the year	(440)	(184)	(624)
Disposals	-	74	74
At 31 December 2021	**(3,029)**	**(1,514)**	**(4,543)**
Net book value			
At 31 December 2020	11,994	333	12,327
At 31 December 2021	**11,626**	**331**	**11,957**

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

	2021 £'000	2020 £'000
Cost		
At 1 January	1,497	1,025
Additions	-	472
At 31 December	**1,497**	**1,497**
Accumulated depreciation and impairment		
At 1 January	(175)	(80)
Charge for the year	(142)	(95)
At 31 December	**(317)**	**(175)**
Net book value		
At 1 January	1,322	945
At 31 December	**1,180**	**1,322**

Lease liabilities

	31-Dec-21 £'000	31-Dec-20 £'000
Maturity analysis - contractual undiscounted cash flow		
Less than one year	157	73
One to five years	394	196
More than five years	983	4,757
Total undiscounted lease liabilities as at 31 December	**1,534**	**5,026**
Lease liabilities included in the balance sheet		
Current	134	131
Non-current	1,071	1,201
At 31 December 2021	**1,205**	**1,332**

Amounts recognised in the income statement

	31-Dec-21 £'000	31-Dec-20 £'000
Interest on lease liabilities	28	39
Expenses of low value leases	7	7
	35	**46**

Amounts recognised in the statement of cash flows

During the year £156,000 was recognised in the statement of cash flows as outflow for leases (2020: £140,000).

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:

	31-Dec-21 £'000	31-Dec-20 £'000
Less than one year	14	14
Balance sheet value as at 31 December	**14**	**14**

During the year, lease income of £17,000 (2020: £23,000) was included in Other income.

16 Deferred tax

The movements on the deferred tax accounts are as follows:

	Fixed assets £'000	Effective interest rate accounting £'000	Lease accounting £'000	Expected credit losses £'000	Total £'000
Asset/(Liability) at 1 January 2020	(72)	135	4	104	171
Current year deferred tax charge	(19)	7	(2)	4	(10)
Asset/(Liability) at 31 December 2020	**(91)**	**142**	**2**	**108**	**161**
Current year deferred tax charge	20	51	(2)	8	77
Asset/(Liability) at 31 December 2021	**(71)**	**193**	**-**	**116**	**238**

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 £203,000 (2020: £107,000) due more than twelve months after the end of the reporting period.

17 Other assets

Amounts falling due within one year:

	31-Dec-21 £'000	31-Dec-20 £'000
Amounts owed by group undertakings	-	1,062
Other receivables	1,003	748
Other prepayments and accrued income	739	663
Balance sheet value as at 31 December	**1,742**	**2,473**

The directors consider that the carrying amount of other assets approximates their fair value. The primary driver of the decrease is settlement in the year of amounts owed by Triodos Bank N.V.

18 Deposits from credit institutions

	31-Dec-21 £'000	31-Dec-20 £'000
Repayable on demand	12,536	15,674
With agreed maturity dates or periods of notice	15,363	18,468
Total	**27,899**	**34,142**

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 Other assets and Other liabilities.

19 Customer accounts

	31-Dec-21 £'000	31-Dec-20 £'000
Savings	980,483	880,853
Other funds entrusted	627,119	531,889
Balance sheet value as at 31 December	**1,607,602**	**1,412,742**

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

	31-Dec-21 £'000	31-Dec-20 £'000
Tier 2 bonds - nominal value	5,695	5,695
Tier 2 bonds - accrued interest	41	8
Balance sheet value as at 31 December	**5,736**	**5,703**

On 23 December 2020 the Bank issued unsecured bonds with a nominal value of £5,695,000, 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:

	31-Dec-21 £'000	31-Dec-20 £'000
Accruals and deferred income	1,403	841
Amounts owed to group undertakings	557	-
Other taxation and social security	500	700
Other payables	1,426	1,678
Balance sheet value as at 31 December	**3,886**	**3,219**

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

22 Provisions

	31-Dec-21 £'000	31-Dec-20 £'000
Vitality leave	180	182
Subsidiarisation provision	-	8
Regulatory change provision	380	-
Dilapidation	15	15
Expected credit loss on guarantees	1	1
Expected credit loss on loan commitments	285	456
Balance sheet value as at 31 December	**861**	**662**

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 seven years of service.
- The regulatory change provision is to implement the required improvements to prudential and credit risk management as identified in the PRA 2021 Periodic Summary Meeting letter.
- 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 2021	**Term of maturity less than a year £'000**	**Term of maturity more than a year £'000**
Vitality leave	87	93
Regulatory change provision	380	-
Dilapidation	-	15
Expected credit loss on guarantees	1	-
Expected credit loss on loan commitments	137	148
Total	**605**	**256**

31 December 2020	**Term of maturity less than a year £'000**	**Term of maturity more than a year £'000**
Vitality leave	86	96
Subsidiarisation provision	8	-
Dilapidation	-	15
Expected credit loss on guarantees	1	-
Expected credit loss on loan commitments	240	216
Total	**335**	**327**

The movements on the provisions are as follows:

	Vitality leave £'000	Subsidia-risation £'000	Building Purchase VAT £'000	Regulatory change £'000	Dilapida-tion £'000	ECL guarant-ees £'000	ECL loan commit-ments £'000	Total £'000
As at 1 January 2020	141	133	89	-	-	1	124	488
Addition	55	-	-	-	15	-	332	402
Utilisation	(4)	(72)	(87)	-	-	-	-	(163)
Release	(10)	(53)	(2)	-	-	-	-	(65)
As at 31 December 2020	182	8	-	-	15	1	456	662
Addition	-	-	-	380	-	-	-	380
Utilisation	(2)	(8)	-	-	-	-	-	(10)
Release	-	-	-	-	-	-	(171)	(171)
As at 31 December 2021	**180**	**-**	**-**	**380**	**15**	**1**	**285**	**861**

23 Called up share capital

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

	31-Dec-21 £'000	31-Dec-20 £'000
Issued share capital	172,000	172,000

All shares are ordinary shares 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Parent				
IT costs	-	-	4,771	5,059
Administration and co-worker costs	282	85	2,840	2,190
Loan interest	-	-	104	159
Group entities				
Joint promotion	-	90	-	-
Administration and co-worker costs	135	126	-	-
Other related parties				
Loan interest	17	19	-	-
Customer accounts interest and other charges	-	4	26	22
	434	**324**	**7,741**	**7,430**

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	31-Dec-21 £'000	31-Dec-20 £'000	31-Dec-21 £'000	31-Dec-20 £'000
Parent	(557)	1,062	27,900	33,985
Group entities	59	104	-	-
Other related parties	207	271	205	144
	(291)	**1,437**	**28,105**	**34,129**

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. Triodos Investment Management B.V. also contributes towards the costs incurred by the Bank for the promotion of its investment funds. All transactions were 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 or Triodos Bank N.V., including CEO Bevis Watts. 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 £160,000 (2020: £85,000) at the year end. The value of transactions between Triodos Foundation and the Bank during the year was £26,000 (2020: £22,000).

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 £11,000 (2020: £7,000) at the year end. The value of transactions between Triodos Investments Limited and the Bank during the year was £Nil (2020: £4,000).

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 £207,000 (2020: £271,000) at the year end. It also holds a deposit account with a balance of £10,000 (2020: £10,000) and a current account with a balance of £24,000 (2020: £41,000). The gross amount of loan repayments made by Sun Roof Limited to the Bank during the year was £41,000 (2020: £41,000).

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 £109,000 (2020: £79,000) were attributable to the directors.

25 Off-balance sheet liabilities

Contingent liabilities

These comprise credit-substitute guarantees 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. 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-21 £'000	31-Dec-20 £'000
Credit substitute guarantees	1,500	1,502
Non-credit substitute guarantees	1,026	1,021
	2,526	**2,523**

Irrevocable facilities

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

	31-Dec-21 £'000	31-Dec-20 £'000
Undrawn debit limits on current accounts	14,405	11,059
Accepted loans not yet paid out	140,089	163,095
Valid loan offers not yet accepted	360	1,279
	154,854	**175,433**

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-21			
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Loans and advances to credit institutions				
AA	19	-	-	19
A	41,584	-	-	41,584
BBB	575	-	-	575
Gross amount	42,178	-	-	42,178
Allowance for expected credit losses	(1)	-	-	(1)
Carrying amount	**42,178**	**-**	**-**	**42,178**
Loans and advances to customers				
Rating 1-9: Normal risk	671,857	376,097	-	1,047,954
Rating 10-13: Increased risk	-	25,204	-	25,204
Rating 14: Default	-	-	50,934	50,934
Not rated	11,640	2,640	-	14,280
Gross amount	683,497	403,941	50,934	1,138,372
Allowance for expected credit losses	(1,053)	(1,191)	(3,996)	(6,240)
Carrying amount	**682,444**	**402,750**	**46,938**	**1,132,132**
Debt securities				
AAA	124,627	-	-	124,627
AA	124,965	-	-	124,965
A	19,447	-	-	19,447
BBB	-	-	-	-
Gross amount	269,039	-	-	269,039
Loss allowance	(4)	-	-	(4)
Carrying amount	**269,035**	**-**	**-**	**269,035**
Loan commitments				
Gross amount	142,049	12,805	-	154,854
Loss allowance	(137)	(149)	-	(286)
Carrying amount (provision)	**(137)**	**(149)**	**-**	**(286)**
Financial guarantee contracts				
Gross amount	2,526	-	-	2,526
Loss allowance	(1)	-	-	(1)
Carrying amount (provision)	**(1)**	**-**	**-**	**(1)**

	31-Dec-20			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Loans and advances to credit institutions				
AA	74	-	-	74
A	21,881	-	-	21,881
BBB	751	-	-	751
Gross amount	27,706	-	-	27,706
Allowance for expected credit losses	(1)	-	-	(1)
Carrying amount	**22,705**	**-**	**-**	**22,705**
Loans and advances to customers				
Rating 1-9: Normal risk	876,764	133,424	-	1,010,188
Rating 10-13: Increased risk	2,316	19,906	-	22,222
Rating 14: Default	-	-	41,821	41,821
Not rated	100	18	2	120
Gross amount	879,180	153,348	41,823	1,074,351
Allowance for expected credit losses	(1,220)	(1,520)	(1,225)	(3,965)
Carrying amount	**877,960**	**151,828**	**40,598**	**1,070,386**
Debt securities				
AAA	71,478	-	-	71,478
AA	56,842	-	-	56,842
A	15,220	-	-	15,220
BBB	9,475	-	-	9,475
Gross amount	153,015	-	-	153,015
Loss allowance	(10)	-	-	(10)
Carrying amount	**153,005**	-	-	**153,005**
Loan commitments				
Gross amount	151,337	24,096	-	175,433
Loss allowance	(205)	(251)	-	(456)
Carrying amount (provision)	**(205)**	**(251)**	-	**(456)**
Financial guarantee contracts				
Gross amount	2,523	-	-	2,523
Loss allowance	(1)	-	-	(1)
Carrying amount (provision)	**(1)**	**-**	**-**	**(1)**

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-21				31-Dec-20			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans and advances to customers								
Current	676,670	403,935	48,744	1,129,349	868,215	139,649	40,768	1,048,632
Overdue < 90 days	6,827	6	222	7,055	10,965	13,699	-	24,664
Overdue > 90 days	-	-	1,968	1,968	-	-	1,055	1,055
Gross amount	683,497	403,941	50,934	1,138,372	879,180	153,348	41,823	1,074,351
Allowance for expected credit losses	(1,053)	(1,191)	(3,996)	(6,240)	(1,220)	(1,520)	(1,225)	(3,965)
Carrying amount	682,444	402,750	46,938	1,132,132	877,960	151,828	40,598	1,070,386

ii. Collateral held and other credit enhancements

Loans and advances to corporate customers

Loans and advances to corporate customers account for £1,138.2 million of the £1,138.4 million gross carrying amount of loans and advances to customers (2020: £1,074.2 million of £1,074.4 million).

The Bank holds collateral against its credit exposures arising from loans and advances to corporate customers. 93.2% (2020: 94.2%) 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), we receive a guarantee of 80% of that exposure from HM Government. This is the only government backed coronavirus scheme that we partake in.

At 31 December 2021 the net carrying amount of credit-impaired loans and advances to corporate customers amounted to £46.9 million (2020: £40.6 million) and the value of identifiable collateral (mainly real estate) held against those loans and advances amounted to £38.7 million (2020: £36.8 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 (2020: none), nor is it holding any at the year end (2020: none).

iii. Allowance for expected credit losses (iii)

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 2020	3
Net remeasurement of loss allowance	(2)
Balance at 31 December 2020	**1**
Net remeasurement of loss allowance	-
New financial assets originated or purchased	1
Financial assets that have been derecognised	(1)
Balance at 31 December 2021	**1**

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to customers				
Balance at 1 January 2020	575	188	863	1,626
Transfer to Stage 1	109	(109)	-	-
Transfer to Stage 2	(22)	22	-	-
Transfer to Stage 3	(11)	-	11	-
Net remeasurement of loss allowance	393	1,349	680	2,422
New financial assets originated or purchased	197	70	-	267
Financial assets derecognised	(21)	-	(35)	(56)
Write-offs	-	-	(294)	(294)
Balance at 31 December 2020	**1,220**	**1,520**	**1,225**	**3,965**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(89)	89	-	-
Transfer to Stage 3	-	(259)	259	-
Net remeasurement of allowance for expected credit losses	(216)	(455)	2,512	1,841
New financial assets originated or purchased	163	304	-	467
Financial assets that have been derecognised	(25)	(8)	-	(33)
Write-offs	-	-	-	-
Balance at 31 December 2021	**1,053**	**1,191**	**3,996**	**6,240**

	Stage 1 £'000
Debt securities	
Balance at 1 January 2020	7
Net remeasurement of loss allowance	3
Balance at 31 December 2020	**10**
Net remeasurement of loss allowance	-
New Financial assets originated or purchased	4
Financial assets that have been derecognised	(10)
Balance at 31 December 2021	**4**

	Stage 1 £'000	Stage 2 £'000	Total £'000
Loan commitments			
Balance at 1 January 2020	93	31	124
Net remeasurement of loss allowance	112	220	332
Balance at 31 December 2020	**205**	**251**	**456**
Net remeasurement of loss allowance	(68)	(102)	(170)
Balance at 31 December 2021	**137**	**149**	**286**

	Stage 1 £'000
Financial guarantee contracts	
Balance at 1 January 2020	1
Net remeasurement of loss allowance	-
Balance at 31 December 2020	**1**
Net remeasurement of loss allowance	-
Balance at 31 December 2021	**1**

The following table reconciles between:

- Amounts shown in the above tables 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.

	2021 Stage 1	Stage 2	Stage 3	Income statement adjustments	Total
	£'000	£'000	£'000	£'000	£'000
Loans and advances to credit institutions	-	-	-	-	-
Loans and advances to customers	(78)	(160)	2,512	61	2,505
Debt securities	(6)	-	-	-	(6)
Loan commitments	(68)	(102)	-	-	(340)
Financial guarantee contracts	-	-	-	-	-
Total	**(152)**	**(262)**	**2,512**	**61**	**2,159**

	2020 Stage 1	Stage 2	Stage 3	Income statement adjustments	Total
	£'000	£'000	£'000	£'000	£'000
Loans and advances to credit institutions	(2)	-	-	-	(2)
Loans and advances to customers	569	1,419	645	6	2,639
Debt securities	3	-	-	-	3
Loan commitments	112	220	-	-	332
Financial guarantee contracts	(0)	-	-	-	(0)
Total	**682**	**1,639**	**645**	**6**	**2,972**

– 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 2020	17,466
Additions	34,930
Write-offs	(45)
Releases	(11,753)
Credit impaired loans and advances to customers at 31 December 2020	**40,598**
Additions	33,383
Write-offs	-
Releases	(27,043)
Credit impaired loans and advances to customers at 31 December 2021	**46,938**

There are no financial assets that were written off in the year that are still 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 liabilities and financial assets

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 2021	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	374,820	-	-	-	-	374,820
Loans and advances to credit institutions	10	40,978	1,199	-	-	-	42,177
Loans and advances to customers	11	5,229	16,848	67,923	329,818	727,302	1,147,120
Debt securities	12	-	9,483	10,308	202,285	38,468	260,544
		421,027	27,530	78,231	532,103	765,770	1,824,661
Financial liability							
Deposits from credit institutions	18	12,535	458	1,452	7,098	6,356	27,899
Customer accounts	19	1,312,452	229,460	61,056	4,634	-	1,607,602
Debt issued	20	-	-	41	-	5,695	5,736
Lease liabilities	15	-	39	118	394	983	1,534
		1,324,987	229,957	62,667	12,126	13,034	1,642,771
Off-balance sheet liabilities							
Contingent liabilities	25	1,214	1,312	-	-	-	2,526
Irrevocable facilities	25	154,854	-	-	-	-	154,854
		156,068	1,312	-	-	-	157,380
Net (outflow)/inflow		**(1,060,028)**	**(203,739)**	**15,564**	**519,977**	**752,736**	**24,510**

31 December 2020	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	375,679	-	-	-	-	375,679
Loans and advances to credit institutions	10	21,404	1,301	-	-	-	22,705
Loans and advances to customers	11	3,498	31,981	87,783	416,764	542,410	1,082,436
Debt securities	12	-	7,708	8,634	90,285	39,468	146,095
		400,581	40,990	96,417	507,049	581,878	1,626,915
Financial liability							
Deposits from credit institutions	18	15,674	641	1,473	8,093	8,261	34,142
Customer accounts	19	980,249	359,608	52,696	20,189	-	1,412,742
Debit issued	20			8		5,695	5,703
Lease liabilities	15	-	18	55	196	4,757	5,026
		995,923	360,267	54,232	28,478	18,713	1,457,613
Off-balance sheet liabilities							
Contingent liabilities	25	1,214	1,309	-	-	-	2,523
Irrevocable facilities	25	175,433	-	-	-	-	175,433
Net (outflow)/inflow		**(771,989)**	**(320,586)**	**42,185**	**478,571**	**563,165**	**(8,656)**

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:

	2021 £'000	2020 £'000
Cash and cash equivalents	374,820	375,679
Loans and advances to credit institutions	42,177	22,705
Unencumbered debt securities issued by UK government	125,021	57,003
Unencumbered debt securities issued by others	144,019	96,012
Total liquidity reserves	**686,037**	**551,399**

iii. Financial assets pledged as collateral

An amount was formerly held as collateral for Mastercard transactions in an account at US Bank but this arrangement ended in 2021 so the value at 31st December 2021 was Nil (2020: £550,000).

The Bank has no other 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 2021	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	374,820	374,820	-	-	-
Loans and advances to credit institutions	10	42,177	42,177	-	-	-
Loans and advances to customers	11	1,132,132	647,027	13,234	182,956	288,915
Debt securities	12	269,035	9,139	10,038	202,957	46,901
		1,818,164	1,073,163	23,271	385,913	335,816
Deposits from credit institutions	18	27,899	12,993	1,452	7,098	6,356
Customer accounts	19	1,607,602	1,541,912	61,056	4,634	-
Debt issued	20	5,736	-	41	5,695	-
		1,641,237	1,554,905	62,549	17,427	6,356
Net assets/(liabilities)		**176,927**	**(481,742)**	**(39,278)**	**368,486**	**329,460**

31 December 2020	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	375,679	375,679	-	-	-
Loans and advances to credit institutions	10	22,705	22,705	-	-	-
Loans and advances to customers	11	1,070,386	617,921	56,310	219,849	176,306
Debt securities	12	153,005	7,710	8,717	92,081	44,497
		1,621,775	1,024,015	65,027	311,930	220,803
Deposits from credit institutions	18	34,142	16,314	1,473	8,094	8,261
Customer accounts	19	1,412,742	1,345,211	47,460	20,071	-
Debt issued	20	5,703	-	8	5,695	-
		1,452,587	1,361,525	48,941	33,860	8,261
Net assets/(liabilities)		**169,188**	**(337,510)**	**16,086**	**278,070**	**212,542**

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 ICAAP 2021, internal risk appetite limit for IRRBB was set at maximum loss of 5% of equity and tracked using the quarterly regulatory return.

	2021		2020	
	200bp parallel increase	200bp parallel decrease	200bp parallel increase	200bp parallel decrease
Sensitivity of projected net interest income				
At 31 December	2.8%	-1.4%	3.9%	-0.4%
Average for the year	0.9%	-1.4%	6.4%	-1.1%
Maximum for the year	2.8%	-0.9%	9.1%	-0.2%
Minimum for the year	-0.3%	-1.9%	3.9%	-2.8%
Sensitivity of reported equity to interest rate movements				
At 31 December	0.7%	0.2%	-5.9%	7.8%
Average for the year	-1.6%	3.0%	-6.1%	8.2%
Maximum for the year	0.7%	5.4%	-3.8%	11.7%
Minimum for the year	-3.7%	0.2%	-7.9%	7.0%

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 values 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 2021					
Assets					
Loans and advances to credit institutions	-	-	42,177	42,177	42,177
Loans and advances to customers	-	-	1,147,290	1,147,290	1,132,132
Debt securities	266,351	-	-	266,351	269,035
Liabilities				-	
Deposits from credit institutions	-	-	28,591	28,591	27,899
Customer accounts	-	-	1,591,226	1,591,226	1,607,602
Debt issued	-	-	5,977	5,977	5,736
At 31 December 2020					
Assets					
Loans and advances to credit institutions	-	-	22,705	22,705	22,705
Loans and advances to customers	-	-	1,122,970	1,122,970	1,070,386
Debt securities	156,448	-	-	156,448	153,005
Liabilities				-	
Deposits from credit institutions	-	-	35,924	35,924	34,142
Customer accounts	-	-	1,426,608	1,426,608	1,412,742
Debt issued	-	-	6,442	6,442	5,703

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 Financial Conduct Authority's Clients Assets Sourcebook (CASS) requirements. The full 100% shareholding of 1 ordinary share was transferred from Triodos Investments Limited to Triodos Bank UK Limited 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 2021 and the date of approval of these financial statements. Due to uncertainties in the current economic and credit market context, no dividend (£nil) is proposed for 2021 (2020: £2.3M dividend).

The directors do not consider that any other events that have occurred since 31 December 2021 require a change to or additional disclosure in the financial statements.

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 2021 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, which comprise: the balance sheet as at 31 December 2021; the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk 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 7of the financial statements, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- The company is based wholly in the United Kingdom, and does not have any subsidiaries, branches or service centres. The company relies upon certain key group functions at Triodos Bank N.V., including Information Technology General Controls and loan loss impairment processes and controls. We therefore audited the company as a standalone entity, while instructing PricewaterhouseCoopers Accountants N.V. to perform work on our behalf related to those group functions.

Key audit matters

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

Materiality

- Overall materiality: £1,779,002 (2020: £1,770,000) based on 1% of CET 1.
- Performance materiality: £1,334,252 (2020: £1,327,500)

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 matter below is consistent with last year. Covid-19, which was a key audit matter last year, is no longer included this year because we deem our consideration of this area in the current year to be adequately captured by our other key audit matter and not represent an area of increased audit attention in its own right.

Key audit matter	**How our audit addressed the key audit matter**
Assumptions used in the calculation of loan loss impairment under IFRS 9 In accordance with the requirements of IFRS 9 'Financial Instruments', the company determines loan impairments in Stage 1 by recognition of loss allowances measured at an amount equal to the 12-month expected credit losses, in Stage 2 by recognition of loss allowances measured at an amount equal to the lifetime expected credit losses for under-performing financial assets, and in Stage 3 by recognition of loss allowances measured at an amount equal to the lifetime expected credit losses for credit-impaired financial assets. The company has built an Expected Credit Loss ('ECL') model for the Stage 1 and Stage 2 loan impairments. With respect to Stage 3 an assessment is performed on a loan-by-loan basis. A number of key assumptions are used to derive the ECL from the model, including probability of default ('PD'), loss-given default (LGD) and exposure at default ('EAD'). Three global macroeconomic scenarios (including a base, upside and downside scenario) are incorporated into the model and the probability of the scenarios is weighted in order to determine the ECL.	Our audit procedures included understanding and evaluating the control environment and determining that controls reliance will be placed. We performed testing of the overall governance of the credit and impairment process and the testing of design and operating effectiveness of the key controls directly related to: ● Arrears classification and identification of impaired and forborne loans; ● The parameters and data applied in the impairment models (eg. exposures, cash flows, market values of collateral etc.); and ● The review and approval by management on the outcomes of the individual impairments and the impairment model In respect of the allowance for those loans in Stage 1 or Stage 2, we have performed the following substantive testing to support our conclusions, with the assistance of credit risk modelling specialists:

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. The significance of the number of areas involving estimates and judgements taken by management increases the risk of material misstatement. The significant risk is considered to be as follows: ● Appropriate selection and integration of forward-looking economic assumptions. The significant risk is relevant to all of the economic scenarios together with their associated weighting and the GDP growth assumptions; ● The appropriateness of staging thresholds to determine whether a significant increase in credit risk has occurred; and ● Post model adjustments (if applicable) recognised by management to reflect model weaknesses or emerging risks (not yet reflected in modelled data). ● In relation to the Stage 3 ECL mode, appropriate selection of assumptions in relation to inputs to the model, including collateral valuation, expected outcome scenarios (such as forced sale, voluntary sale etc.) and the probability weightings associated with each scenario, expected timing of future cash flows and other factors such as costs to sell. This is therefore considered to be a key audit matter in our audit. *Relevant references in the Annual Report: Note 26 - Financial risk management*	● Assessment of reasonableness and consistency of the applied model methodology (including forward-looking economic assumptions) in line with IFRS and market practice; ● Evaluated the macro-economic scenarios and macro-economic variables applied by reconciling these to the minutes of the Asset and Liability Committee and challenging these by reference to observable market data; and ● Assessed the model validation report and completed a reperformance of a sample of certain model validation procedures performed by Triodos Bank N.V. on behalf of the company, focusing on tests such as backtesting procedures on key model parameters. In respect of the allowance for those loans in Stage 3, we have performed the following risk-based procedures to support our conclusions: ● Considered specific scenarios to each sampled loan (including cure, consensual sale of security and forced sale of security) 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; ● For a sample of loans, agreed the valuation of the corresponding collateral to underlying appraisal reports and/or other information to help support our assessment of the appropriateness of inputs to the ECL model. . In respect of 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.

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 (but not limited to) for IT support services and IFRS 9 loan loss impairment modelling. As a result, we have instructed PricewaterhouseCoopers Accountants N.V. to complete certain aspects of work in these areas on our behalf, but with our oversight.

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	£1,778,621 (2020: £1,770,000).
How we determined it	1% of Common Equity Tier 1 ('CET 1') ratio
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, CET 1, as the primary funding source of the company, 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% of overall materiality, amounting to £1,333,966 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 in the upper end of our normal range was appropriate.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above £88,931 (2020: £88,500) 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 budgeting, liquidity and capital stress testing performed by management and consideration of whether the stresses applied are appropriate for assessing going concern; and
- Evaluation of the company's forecast financial performance, liquidity and capital positions over the going concern period including an evaluation of the impact of Covid-19 on the financial outlook of the company.
- Enquiries with management regarding any breaches of covenants, or other significant sources of funding.

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 2021 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') rules and guidance, and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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:

- Inquiries 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
- Applying risk-based criteria to all manual journal entries posted in the audit period, including consideration of backdated entries, post-close entries and those journals posted by a defined group of unexpected users.

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 & Risk Committee, we were appointed by the members 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 3 years, covering the years ended 31 December 2019 to 31 December 2021.

Daniel Pearce

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
27 April 2022