TRIODOS BANK UK LIMITED

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

Registered number: 11379025

PILLAR 3 DISCLOSURES

For the year ended 31 December 2020

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OVERVIEW

Background and regulatory guidance

The European Union (EU) Capital Requirements Directive came into effect on 1 January 2007. It introduced a supervisory framework which reflects the Basel II rules on capital measurements and capital standards. The directive was superseded on 1 January 2014 by the fourth Capital Requirements Directive (CRD IV) and the Capital Requirements Regulations (CRR). Together these implement the policy standards of Basel III. The CRR and CRD IV are enforced in the UK, together with local implementing rules and guidance, by the Prudential Regulation Authority (PRA).

The Basel framework consists of three Pillars. Pillar 1 sets out the minimum capital requirements firms are required to meet for credit, market and operational risk. Under Pillar 2, firms and supervisors assess the internal capital adequacy and take a view on whether a firm should hold additional capital against risks not covered in Pillar 1. Pillar 3 aims to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposures, risk assessment processes and remuneration approach.

Capital Requirements Regulation (CRR II) and the fifth Capital Requirements Directive (CRD V) were journaled by the EU in June 2019. Rules introduced by CRR II were scheduled to follow a phased implementation throughout 2020 and 2021. In response to the COVID-19 pandemic the EU amended the CRR with CRR 'Quick Fix' measures. This included acceleration of the date of application of certain CRR II measures that were due to apply from Monday 28 June 2021. In accordance with the EU (Withdrawal Agreement) Act, these CRR 'Quick Fix' measures apply directly to PRA regulated firms:

- Transactional arrangement for capital impact of IFRS Expected Credit Loss (ECL) accounting
- Acceleration of CRR II measures:
  - a revised small and medium-sized enterprise (SME) support factor
  - an infrastructure support factor; and
  - non-deduction of certain software assets from Common Equity Tier 1 (CET1) capital
- Discretion to apply a temporary prudential filter to certain unrealised gains or losses measured at fair value through other comprehensive income.

Purpose

This document complies with the Pillar 3 disclosure requirements set out in Part Eight of the CRR. It provides background information on the approach used by Triodos Bank UK Limited (hereafter 'Triodos Bank UK' or 'Bank') to manage risk and maintain its capital resources. It sets out the Bank's:

- Approach to risk management
- Governance structure
- Asset information and capital resources; and
- Compliance with EU capital requirements regulations

Future regulatory developments

The UK's membership of the EU came to an end on 31 January 2020. The PRA has on-shored CRR with effect from 1 January 2021 via published final versions of EU Exit Instruments to ensure a legal UK framework is in place.

In November 2020 the PRA, FCA and HM Treasury (HMT) issued a joint statement announcing the delay of the UK's version of CRR II enhanced reporting from June 2021 to January 2022. Significant changes being implemented include enhancement to net stable funding ratio (NSFR) requirements, leverage ratio and a Standardized Approach for Counterparty Credit Risk. It is expected that there will be some divergence from the substance of the EU's CRR II, although the extent to which this takes place will only be clear once the regulators' consultations are published. The national transposition for most provisions in CRD V is with effect from 28 December 2020.

CRR Article 36(1)(b) exempts software assets from the deduction requirement for intangible assets from Common Equity Tier 1 (CET1), as set out in the Regulation. In accordance with the European Union (Withdrawal Agreement) Act 2020, this requirement now applies to PRA-regulated firms. However, the PRA intends to consult on this due to concerns that software assets cannot absorb losses in a stressed environment. The PRA has expressed its intention to revert back to pre CRR2 position. This is not significant for the Bank as the impact on the CET1 deduction is minimal.

Disclosure: basis and frequency of disclosures

This document, setting out the Pillar 3 disclosures for the Bank, has been prepared to give relevant information to calculating the Bank's Basel III requirements and to explain the management of risks faced by the Bank in accordance with the rules laid out in CRR Part Eight. The basis of these disclosures may differ from similar information in the Annual Report & Accounts prepared in accordance with EU International Financial Reporting Standards (IFRS); therefore, the information in these disclosures may not be directly comparable with that information.

The following sets out the Bank's disclosures including the information to be disclosed, frequency, media, location and verification.

Information to be disclosed: The Bank's policy is to meet all required Pillar 3 disclosure requirements as detailed in Part Eight of the Capital Requirements Regulations.

Frequency: The Bank's policy is to publish the disclosures on an annual basis in conjunction with the publication of the Annual Report and Accounts, which should be read jointly with this document. The European Banking Authority (EBA) has issued guidelines on disclosure frequency and the Bank considers that, given its size and complexity, Pillar 3 disclosures do not need to be made more frequently than annually in the absence of a material change in circumstances.

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

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

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

Scope of disclosures

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

RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management objective

The risk management objective within Triodos Bank UK is to create an environment within which the bank can pursue its mission within risk appetite in a sustainable, prudent way to its fullest extent, supported by an effective and efficient Enterprise Wide Risk Management Framework (RMF).

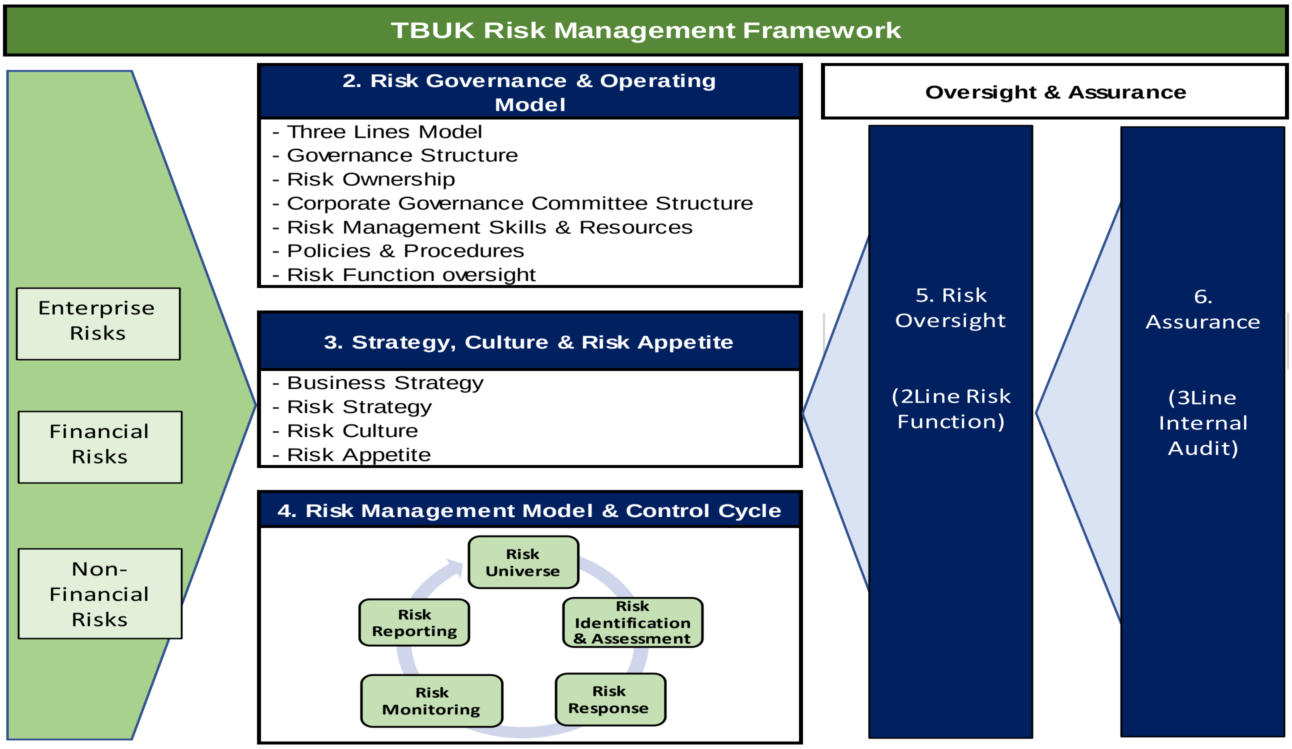
The Bank's RMF is the structured process used to identify, assess, respond, monitor and report risk. The RMF articulates the risk management strategy, governance, approach and control framework applied for all exposures faced by the Bank.

The RMF is supported by an appropriate structure of frameworks, policies and operating procedures for each of the Bank's identified risk types. These set out the management standards and controls applied for effective management of each risk type.

The RMF is owned by the Chief Risk Officer (CRO) and is subject to full formal review and approval by the ARC every three years in line with the Bank's strategic planning process. The CRO will also complete an annual review to ensure it remains fit for purpose; the annual review output will be subject to ARC approval if there are materially significant changes (deemed materially significant by the CRO). The RMF is also subject to periodic Internal Audit assurance review.

The core components of the Bank's MRF are summarised below in Figure 1.

Figure 1 Enterprise Risk Management Framework



Three lines model

The Bank applies the Three Lines Model (3Lines model). The 3Lines model is designed to provide clarity of responsibilities based on an appropriate segregation of duties across the Bank. Operating in such a way allows each function to understand the boundaries of its responsibilities, and how these within the RMF.

Primary responsibilities across the 3Lines model are summarised in the diagram below:

Figure 2 Three Lines Model

First Line
(1Line) = business areas

Responsible for;
- Day to day identification, ownership, management, control & reporting of risk exposures in accordance with the strategies, policies and risk appetite set by the Board.
- Taking informed risks in line with risk strategy, risk appetite & tolerance levels.
- Executing and delivering the risk management cycle.
- Reporting exposures to the Risk Function and defined governance committees and forums.

Second Line
(2Line) = Risk Function

Responsible for:
- Supporting / facilitating 1Line risk management.
- Oversight & challenge of day to day management, control & reporting of risks.
- Driving development of risk strategy & policy framework.
- Driving development, maintenance & promotion of risk appetite framework.
- Developing & implementing risk identification, assessment, monitoring & reporting framework, & related processes.
- 2Line risk opinion.

Third Line
(3Line) = Internal Audit

Responsible for;
- Independent assurance on the overall system of internal control, including risk & compliance.
- Verify that an effective RMF is in place and is functioning properly to manage risk and controls across the business, allowing for independence from 1Line & 2Line.

Governance structure

The Bank's Risk Governance is supported through the Corporate Governance Committee structure and designed considering the 3Lines model. A summary of the Corporate Governance Committee structure and details of each Committees' primary duties, authority, and, membership, is included below.

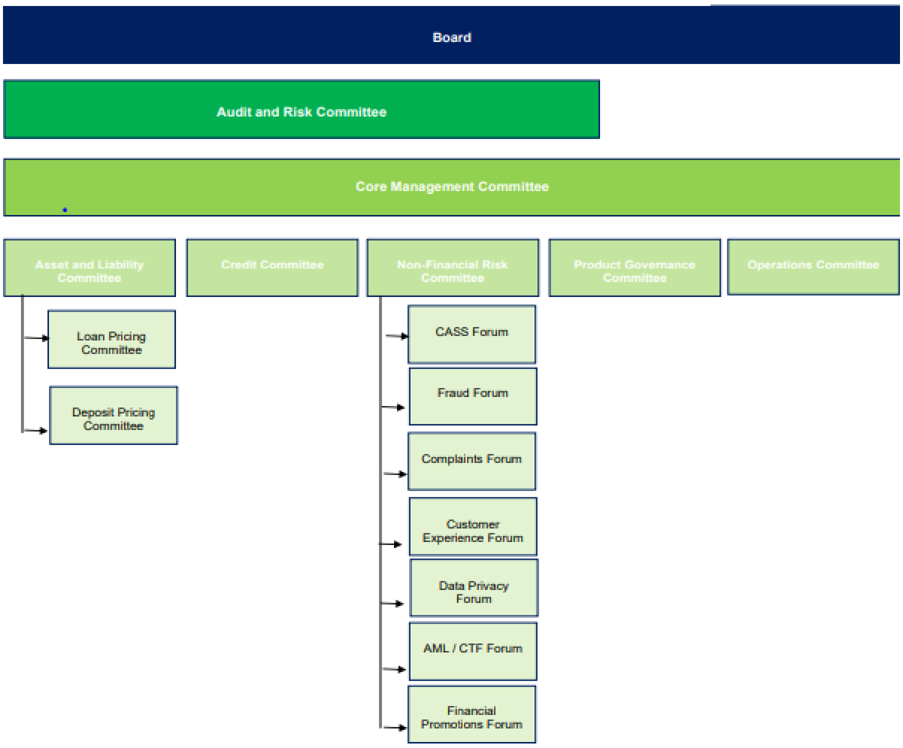
The structure seeks to ensure that the Bank has a clear organisational structure in place with well defined, transparent and consistent lines of responsibility; effective processes to identify, manage, monitor and report the risks inherent in operations; and robust internal controls. The Committee arrangements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

The Board are ultimately responsible for oversight and challenge across all 3Lines. Key risk management responsibilities of the Board include, setting business and risk strategy, defining and overseeing risk appetite, and, monitoring the risk profile of the Bank. There are clearly defined escalation and reporting routes that ensure the information flows through the Risk Governance Committee structure to ultimately provide the Board with assurance on the effectiveness of the Bank's risk management practices.

The Risk Governance Committee structure has been designed with consideration to the three lines of defence model and to ensure that the Bank; has a clear organisational structure in place with well defined, transparent and consistent lines of responsibility; effective processes to identify, manage, monitor and report the risks inherent in operations; and robust internal controls.

A summary of the Risk Governance Committee structure is outlined in Figure 2.

Figure 2 – Triodos Bank UK Board, Audit & Risk and Core Management Committee Structure



The **Board** is collectively responsible for the long-term success of the company. At a high-level the Board is responsible for supporting, overseeing and challenging the strategy and its execution; it articulates and oversees the risk appetite of the organisation; and ensures that the organisation meets its statutory and regulatory requirements; and is responsible for remuneration policy.

The Board is ultimately responsible for oversight and challenge across all 3 Lines of Defence (LOD). Key risk management responsibilities of the Board include, setting business and risk strategy, defining and overseeing risk appetite, and monitoring the risk profile of the Bank. There are clearly defined escalation and reporting routes that ensure the information flows through the risk governance structure to ultimately provide the Board with assurance on the effectiveness of risk management practices. The Board may delegate certain matters to the Audit and Risk Committee (ARC) however the Board remains ultimately accountable for the fulfilment of responsibilities.

Details of Board members, Board meeting and recruitment and diversity strategy can be found in the Annual Report & Accounts Page 19.

The **Audit and Risk Committee (ARC)** ARC is responsible for assisting the Board in fulfilling its oversight responsibilities and advising the Board on the current risk exposures and future risk strategy, and the embedding and maintenance of a supportive risk culture across the company in performing its duties.

ARC monitors the integrity of the financial statements of the company; keeps under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems; and oversees the Internal and External Audit functions. ARC also maintains effective working relationships with the Board, the Bank's management and the external auditors.

The **Core Management Committee (CMC)** has been established to enable the Chief Executive Officer (CEO) to discharge his/her duties. Reporting into the CMC are the Tier 1 committees: Credit Committee; Asset and Liability Committee; Non-Financial Risk Committee; Product Governance Committee; and Operations Committee. It assists the CEO in the performance of their duties within the bounds of their authority. Members include the CEO, Chief Financial Officer (CFO), Chief Operating Officer (COO), CRO, Head of Business Banking (HoBB) and Head of Retail Banking (HoRB). The Head of Internal Audit attends upon request.

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

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

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

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

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

The **Product Governance Committee (PGC)** is responsible for a well-functioning product approval and review process.

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

The Bank operates in accordance with the context, strategy and founding principles of Triodos Bank group (hereafter 'Triodos Bank') and applies group policies, including the Triodos Internal Regulations (TIR), amending and adopting them as is suitable for local business. This alignment with Group takes place through regularly scheduled discussions between Group COO and Bank Chairman and between Group COO and Bank CEO, as well as trilateral discussions.

First line Governance Committees are allocated responsibility for monitoring and ensuring appropriate management within risk appetite of specific risk types. The allocation of primary risk types to each of these Committees is summarised in the table below

Table 1 Allocation of primary risk types to Committees

Governance Committee	**Primary Risk Type**
Core Management Committee	Strategic Risk
	Reputational Risk
Credit Committee	Credit Risk
Non-Financial Risk Committee	Operational Risk
	Compliance Risk
	Conduct Risk
Assets and Liabilities Committee	Liquidity Risk
	Market Risk

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

Risk ownership

Each risk type identified is allocated a Risk Owner. Risk Owners are responsible for the management and reporting of their respective risks.

With support from the 2Line Risk Function where necessary, the Risk Owner is responsible for ensuring;

- Identification of risks and design, implementation and embedding of appropriate controls
- Developing, proposing changes to, monitoring and reporting risk appetite statements, measures and triggers;
- Developing, implementing and monitoring compliance with risk specific policies and operating procedures, ensuring alignment to the relevant risk type frameworks and risk appetite;
- Identification, assessment, escalation, management and monitoring of risk events;
- Producing risk reports to support first line Governance Committee decision making and challenge;
- Development and execution of quality monitoring processes as required;
- Embedding risk management competencies and expected behaviours within their business areas.

Policies and procedures

Policies and procedures cascade from the RMF and are driven by the primary risk types. They are designed to provide sufficient coverage to direct the management and control of the Bank's risks.

The Policy Framework is designed to support the clarification of internal controls through defining minimum operating standards, limits and expectations which the Bank must operate within as they align to the Bank's risk appetite.

Risk strategy / objective

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

The Risk Strategy is owned by the CRO and is developed in parallel with the Bank's business strategy. Support in developing and reviewing the Risk Strategy is sought from the Bank's Board and Senior Management, with oversight provided by the ARC. The Risk Strategy, supported by high level Risk Appetite Statements, documents the desired risk management capability and approach for each of the Bank's Primary Risk types. Required risk management enhancements, generally or per individual risk type, e.g. in terms of available risk capacity, will also be documented to support progression towards the desired capability.

Risk culture

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

The Bank's Board and Senior Management are committed to establishing a positive risk intelligent culture where everyone understands the approach to risk, takes personal responsibility to manage risk and ensure fair customer outcomes in everything they do. Transparency of risk reporting and effective, open challenge is strongly encouraged which is in direct alignment with Triodos values. Risk Culture is therefore a key component that supports application of our RMF.

Risk appetite

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

The Risk Appetite documents the settings for effective management of risks identified that might endanger the Bank's strategic goals, and which the RMF needs to manage too. Risk Appetite is set for each Primary Risk by the Bank Board and is articulated within the Risk Appetite Statement through a mix of qualitative and quantitative statements and measures expressed relative to earnings, capital, liquidity and risk types. It also addresses risks that are more difficult to quantify such as reputation and conduct risk.

The Bank's Risk Appetite is reviewed on (at least) an annual basis and is set with full consideration to the Group Risk Appetite Statement. Each high level Risk Appetite Statement is supported by a small set of critical KRIs.

Significant risks

The Bank's principal risks and uncertainties as at the 31st December 2020 are set out in the Strategic Report on pages 10 to 15 of the Annual Report and Accounts 2020.

The Bank has identified 8 Principal Risk Types across three overarching risk categories which might adversely impact its ability to achieve its strategic objectives and which are actively managed through the Bank's ERMF.

The table below outlines the risk categories identified by the Bank.

Table 2 Risk categories

Risk Category	**Primary Risk Type**
Enterprise Risk	Strategic Risk
	Reputational Risk
Financial Risk	Credit Risk
	Liquidity Risk
	Market Risk
Non-Financial Risk	Operational Risk
	Compliance Risk
	Conduct Risk

Risk statement

The Bank's risk statement represents the articulation of the Bank's risk appetite, is approved by the Board and defines the level of risk that the Bank is prepared to accept to achieve its strategic objectives. The Bank operates within appetite tolerances and regularly reports against performance to the Board. The risk statement is included in Appendix A.

CAPITAL RESOURCE AND ADEQUACY

Overview

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

CRR requires banks to hold minimum capital amounts calculated by reference to its risk weighted assets (RWAs). RWA is a banking term used to classify assets and determine the minimum amount of capital that should be held based on the risk profile of the bank's assets.

The CRR recognises three tiers of capital that can be held by a bank which are classified according to their quality and accessibility: Common Tier 1 Capital (CET1), Additional Tier 1 Capital (AT1) and Tier 2 Capital. This are collectively known as 'own funds'. The Bank is required to hold own funds which are necessary to meet the requirements of Pillar 1.

The Bank is also subject to additional capital requirements known as Pillar 2, which are set by the PRA. The purpose of Pillar 2 capital requirements is to reflect specific risks that are not adequately covered by Pillar 1 and ensure that sufficient capital is held against those risks.

As at 31 December 2020 and throughout the period, the Bank complied with the capital requirements that were in force as set out by the PRA.

The Bank's regulatory capital as at 31 December 2020 consisted of CET1 Capital in the form of ordinary share capital and reserves with regulatory deductions and Tier 2 capital representing subordinated debt. The Bank issued £5.69m of subordinated debt on 23 December 2020 with a maturity of 10 years. The full £5.69m is eligible as Tier 2 capital as at 31 December 2020. Article 437 of the CRR requires the Bank to disclose the main features of capital instruments. This is included in Appendix B. The Bank has no AT1 capital.

Total capital resources

The tables below show the total available capital resources of the Bank. The own funds disclosure is shown in Appendix C.

Table 3 Total capital resources

	31-Dec-20 £'000	31-Dec-19 £'000
Common Equity Tier 1 (CET1) capital		
Ordinary share capital	172,000	172,000
Retained earnings*	3,711	-
CET1 capital before regulatory adjustments**	**175,711**	**172,000**
Regulatory adjustments to CET1 capital		
Intangible assets***	(1,285)	(1,548)
Total regulatory adjustments to CET1 capital	**(1,285)**	**(1,548)**
CET1 capital	**174,426**	**170,452**
Tier 1 capital	**174,426**	**170,452**
Tier 2 capital		
Subordinated loan notes (unlisted)	5,695	-
Tier 2 capital	**5,695**	**-**
Total capital	**180,121**	**170,452**

* Retained earnings includes £55k merger reserve

** CET1 capital before regulatory adjustments agrees to equity and reserves in the Annual Report.

*** Intangible assets do not agree to audited Annual Report due to acceleration of CRR II measures resulting in non-deduction of certain software assets from CET1 capital

Table 4 RWAs and capital ratios

	31-Dec-20	31-Dec-19
Risk-weighted assets (£'000)	770,444	840,575
CET1 capital ratio (%)	22.6%	20.3%
Total capital ratio (%)	23.4%	20.3%

RWAs reduced substantially in 2020 due to beneficial impact of the imlementation of the 0.75 infrastructure factor and improved SME support factor under CRR II, with effect from 30/6/20

Own funds balance sheet reconciliation

Article 437 (1) of the CRR requires a full reconciliation of own funds to audited financial position in the Annual Report and Accounts. This should include all items that are components of, or are deducted from, regulatory own funds.

Table 5 Own funds balance sheet reconciliation

	£'000
Shareholders' funds per Bank statutory financial statements	181,352
Subordinated debt included as Tier 2 capital	5,695
Regulatory adjustments to capital	(1,285)
Current period unaudited profit	(5,641)
Own funds at 31 December 2020	**180,121**

IFRS impact

On 1 May 2019 the operations and all the assets and liabilities of the UK branch of Triodos Bank N.V., the Bank's immediate parent company and ultimate controlling party, were transferred to Triodos Bank UK Limited via a transfer under Part VII of the Financial Services and Markets Act 2000.

All assets were transferred at their book value under Dutch GAAP and on conversion to IFRS a merger reserve was created. No consideration was paid for the transfer, because under Dutch GAAP the net book values of assets and liabilities transferred was £nil.

Upon conversion to IFRS the calculation of impairment provisions moved from an incurred loss model to an expected loss model as required by IFRS 9. This resulted in an increase in bad debt provisions of £425k which formed, along with other IFRS adjustments, the £55k merger reserve.

The Bank has chosen not to apply the transitional arrangements for IFRS 9 as specified in Article 473a and that the Bank's own funds, capital and leverage ratios already fully reflect the full impact of IFRS 9.

Assessment of the adequacy of internal capital

The Bank's capital resources and capital requirements use the CRD IV framework as implemented locally by the PRA.

The Bank's policy is to maintain a strong 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 the Bank 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.

The Bank's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement determined by the regulator to available capital resources. The bank supplements the regulators requirement by maintaining a buffer in excess of the regulatory requirement at all times.

At the 31 December 2020 the Bank has received a Total Capital Requirement (TCR) from the regulator of 11.51%. This is the aggregate of the Pillar 1 and current Pillar 2A capital requirements.

A key input to the TCR-setting process is the Bank's Internal Capital Adequacy Assessment Process (ICAAP). In line with regulatory requirements set out in Supervisory Statement 31/15 'ICAAP and SREP' the Bank conducts its ICAAP assessment on an annual basis or following a significant change in business strategy or operations.

The Board Risk Appetite Statement (RAS) is reviewed and approved annually by the Board. This articulates the Board's tolerances in relation to the level of risk that will be taken in pursuit of business objectives. In relation to capital and per the RAS, Capital Risk appetite will be monitored through the following key metrics:

- Overall Capital Ratio (OCR)

- Common Equity Tier 1 Ratio (CET1)
- Leverage Ratio
- Capital Surplus above OCR, and Buffers (CRD IV and PRA buffer)

These are aligned with the Recovery Plan (RP), with Early Warning Indicators (EWIs) and Invocation Trigger Points (ITPs) aligned with the risk appetite.

Minimum capital requirement

The Bank has adopted the Standardised Approach to the calculation of credit risk. The operational risk requirement is calculated using the Basic Indicator Approach (BIA) and the three-year average of the Bank's total income.

The following table shows the Bank's minimum capital requirement by each RWA component using template EU OV1 as per the EBA guidelines (EBA/GL/2016/11).

Table 6 Overview of RWAs

		RWAs		Minimum capital requirements[1]
		31-Dec-20 £'000	31-Dec-19 £'000	31-Dec-20 £'000
1	**Credit/counterparty risk**	**709,757**	**782,823**	**56,781**
2	Of which Standardised Approach	709,757	782,823	56,781
19	**Market risk**	**-**	**-**	**-**
20	Of which Standardised Approach	-	-	-
23	**Operational risk**	**59,395**	**54,922**	**4,752**
24	Of which Basic Indicator Approach	59,395	54,922	4,752
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**1,291**	**2,830**	**103**
	Total risk	**770,444**	**840,575**	**61,636**

Source: EU OV1

[1]Minimum Capital is Pillar 1 at 8% of RWAs.

The following table shows the Bank's minimum capital requirements for each of the risk exposure classes.

Table 7 Overview of RWAs by exposure class

Exposure class	Risk-weighted assets		Minimum capital requirements[1]
	31-Dec-20 £'000	31-Dec-19 £'000	31-Dec-20 £'000
Credit risk	**711,048**	**785,653**	**56,884**
Central governments or central banks	-	-	-
Public sector entities	4,336	1,047	347
Multilateral development banks	-		-
Institutions	4,753	5,492	380
Corporates	302,570	414,067	24,206
Retail	46,005	45,765	3,680
Secured by mortgages on immovable property	282,424	271,514	22,594
Exposures in default	54,606	25,875	4,368
Covered bonds	1,001	1,003	80
Other items	15,353	20,890	1,228
Operational risk	**59,395**	**54,922**	**4,752**
Total	**770,444**	**840,575**	**61,636**

[1]Minimum Capital is Pillar 1 at 8% of RWAs.

The movement in risk-weighted assets from 31 December 2019 to 31 December 2020 mainly represents increases in the volumes of the exposures driven by increased lending, offset by the acceleration of CRR II Quick-Fix measures, namely the revised small and medium-sized enterprise (SME) support factor and an infrastructure support factor.

REGULATORY CAPITAL BUFFERS

Credit institutions are required to hold capital conservation buffers (CCoB) and counter-cyclical capital buffers (CCyB).

The CCoB is a buffer which is required to be held by all institutions under CRD IV. The CCoB is designed to ensure that firms build sufficient capital buffers outside of a period of stress so that these can be used to draw down against under a stressed period.

The CCyB is a country-specific buffer and is designed to be used as a macro-prudential tool, implemented in 'overheating' economies in order to ensure that financial institutions have additional capital in place to absorb potential losses.

Institutions are required to calculate an institution-specific counter-cyclical capital buffer as a weighted average of the counter-cyclical buffer rates that apply in the countries where the credit exposures are located. In the UK parliament has delegated the role of setting the CCyB to the Financial Policy Committee (FPC). The FPC decided on the 9 March 2020 to reduce the CCyB to 0% with immediate effect. The FPC announced on the 11th March 2020 to maintain the 0% rate for at least 12 months, so that any subsequent increase would not take effect until March 2022 at the earliest.

Further disclosure of information in relation to the requirement for a countercyclical capital buffer in accordance with Article 440 of the CRR is included in Appendix D.

COUNTERPARTY CREDIT RISK

The Bank is exposed to Counterparty Credit Risk in the form of settlement risk which is the risk that the Bank is unable to meet its daily settlement obligations as a result of timing mismatches from security of payment systems.

Settlement risk is not a risk that the Bank considers material for the following reasons. The Bank will transact with high quality counterparties which will be on the Bank's authorised counterparty list. The minimum rating of a counterparty to which the Bank may have an exposure is AA-.

The Bank will lend a maximum of £25m to a single group of connected borrowers, with the exception of higher limits for banking counterparties and specified sovereign risks.

CREDIT RISK

Credit risk is the risk of losses arising from a borrower or counterparty failing to meet its obligations as they fall due. The Bank is by the nature of its activities exposed to credit risk. Credit risk emanates from actual or implied contractual arrangements with individuals, corporates, financial institutions, public entities or sovereigns. Credit risk management supports the mission of the organization and protects the financial performance

Credit risk policies are designed to achieve the Bank's mission and to protect the balance sheet and profit and loss in such a way that depositors and investors of the Bank maintain a fair return on a secure and sustainable investment. The Bank's Credit Risk Policy sets out the elements of the Credit Risk Management Framework and is reviewed every two years and after any relevant change in the governance or credit risk principles.

The Bank applies the Standardised Approach (SA) for calculating the regulatory requirement for credit risk. The Risk Weighted Asset (RWA) calculations relate to exposures in the loan book, the investment book and off-balance sheet items. The Bank has no derivative exposures and no securitisation exposures.

Impairment losses on loans and advances

The Bank calculates impairment losses under IFRS 9 principles and in accordance with IFRS 9 categories:

- Stage 1: Assets that have not had a significant increase in credit risk since initial recognition
- Stage 2: Assets that have experienced a significant increase in credit risk since initial recognition but do not have objective evidence of impairment
- Stage 3: Assets that have objective evidence of impairment at the reporting date

Section 7 Impairment of financial assets in the Annual Report & Accounts provides a detailed overview of the Bank's approach to identifying, assessing and managing impaired financial assets. It describes the Bank's approach to assessing the risk of default and calculating expected credit losses (ECL). It also defines key terms such as 'default' and 'past due'.

Note 27 Financial risk management in the Annual Report & Accounts discloses a table which sets out information about the overdue status of loans and advances to corporate and retail customers in Stages 1, 2 and 3.

The table below shows the ageing of past-due exposures

Table 8 Ageing of past-due exposures

	31 December 2020	a	b	c	d	e	f
		Gross carrying amount £'000					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	24,601	63	-	39	1,015	-
3	**Total exposures**	**24,601**	**63**	**-**	**39**	**1,015**	**-**

Source: EU CRI-D

Maximum exposure to credit risk

The table below shows template EU CRB-B the maximum exposure to credit risk for the components of the balance sheet.

The Net value of the exposure is calculated as: For on-balance-sheet items, the gross carrying value of exposure less allowances/impairments. For off-balance-sheet items, the gross carrying value of exposure less provisions.

The Average net exposure over the period is calculated as the average of the net exposure values observed at the end of each quarter of the observation period.

Note that the below comparative average figures for 2019 are calculated for May to December 2019, being the trading period.

Table 9 Total and average net amount of exposures

Credit risk exposures	31-Dec-20 Net value of exposures at the end of the period £'000	31-Dec-20 Average net exposures over the period £'000	31-Dec-19 Net value of exposures at the end of the period £'000	31-Dec-19 Average net exposures over the period £'000
Central governments or central banks	432,682	354,218	303,346	320,969
Regional governments or local authorities	-	-	-	1,732
Public sector entities	42,911	28,938	19,844	21,525
Multilateral development banks	41,373	30,852	10,199	10,163
Institutions	23,767	58,448	27,460	28,378
Corporates	486,718	474,410	481,474	450,635
Of which SME	*429,152*	*406,573*	*395,060*	*371,149*
Retail	89,544	89,061	84,192	86,172
Of which SME	*86,029*	*86,042*	*81,783*	*84,183*
Secured by mortgages on immovable property	629,761	595,286	564,915	555,323
Of which SME	*534,110*	*505,561*	*486,277*	*468,587*
Exposures in default	45,753	32,617	22,999	21,259
Covered bonds	10,010	10,018	10,026	6,684
Other items	14,579	18,519	19,192	16,490
Total credit risk exposure	**1,817,099**	**1,692,367**	**1,543,648**	**1,519,330**

The tables below show risk weights applied to the Bank's exposures by exposure class. Risk weights with nil value exposures have been removed.

Table 10 Total net exposure by risk weight and exposure class

31 December 2020	Risk weight £'000									
	0%	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Total**
Central governments or central banks	432,682									**432,682**
Public sector entities	29,950		7,150		5,811					**42,911**
Multilateral development banks	41,373									**41,373**
Institutions			23,767							**23,767**
Corporates					9,465		477,254			**486,718**
Retail						89,544				**89,544**
Secured by mortgages on immovable property				400,355			229,406			**629,761**
Exposures in default							23,511	22,242		**45,753**
Covered bonds		10,010								**10,010**
Other items							14,062		516	**14,579**
Total	**504,005**	**10,010**	**30,917**	**400,355**	**15,276**	**89,544**	**744,233**	**22,242**	**516**	**1,817,099**

31 December 2019	Risk weight £'000									
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total
Central governments or central banks	303,346									**303,346**
Public sector entities	14,610		5,234							**19,844**
Multilateral development banks	10,199									**10,199**
Institutions			27,460							**27,460**
Corporates					9,508		471,967			**481,474**
Retail						84,192				**84,192**
Secured by mortgages on immovable property				390,344			174,571			**564,915**
Exposures in default							16,114	6,886		**22,999**
Covered bonds		10,026								**10,026**
Other items	0						18,059		1,132	**19,192**
Total	**328,155**	**10,026**	**32,694**	**390,344**	**9,508**	**84,192**	**680,711**	**6,886**	**1,132**	**1,543,648**

Source: Template EU CR5

Risk Concentrations

As per PRA methodology set out in PS17/15, concentration risk is defined as follows:

"Credit concentration risk is the risk of losses arising as a result of concentrations of exposures due to imperfect diversification. This imperfect diversification can arise from the small size of a portfolio or a large number of exposures to specific obligors (single name concentration) or from imperfect diversification with respect to economic sectors or geographical regions.

…only wholesale credit portfolios are considered for single name and sector concentration risk (excluding securitisation, intra-group exposures and non-performing loans). All credit portfolios other than residential mortgage portfolios on the standardised approach are considered for geographic concentration risk."

In line with guidance set out in 'Statement of Policy - the PRA's Methodologies for setting Pillar 2 capital' the Bank has assessed concentration risk for the retail credit and wholesale credit portfolio. The portfolio assessment is conducted on three bases:

a) Geographic concentration risk
b) Sectoral concentration risk
c) Single name concentration risk

Geographical and counterparty sectors

Table 11 Geographical and counterparty credit exposure

	31 December 2020	UK £'000	Ireland £'000	Other EU £'000	Other £'000	Total £'000
7	Central governments or central banks	432,682				**432,682**
9	Public sector entities	12,961		29,950		**42,911**
10	Multilateral development banks			41,373		**41,373**
12	Institutions	21,329	751	1,136	550	**23,767**
13	Corporates	453,847	30,221	2,649		**486,718**
14	Retail	88,092	1,438	9	6	**89,544**
15	Secured by mortgages on immovable property	629,484	277			**629,761**
16	Exposures in default	43,083	2,670			**45,753**
18	Covered bonds	10,010				**10,010**
22	Other items	14,579				**14,579**
	Total credit risk exposure	**1,706,069**	**35,357**	**75,117**	**556**	**1,817,099**

	31 December 2019	UK £'000	Ireland £'000	Other EU £'000	Other £'000	Total £'000
7	Central governments or central banks	303,346				**303,346**
9	Public sector entities	5,234		14,610		**19,844**
10	Multilateral development banks			10,199		**10,199**
12	Institutions	26,426	468		565	**27,460**
13	Corporates	447,389	31,277	2,808		**481,474**
14	Retail	82,935	1,250	3	3	**84,192**
15	Secured by mortgages on immovable property	563,213	1,703			**564,915**
16	Exposures in default	21,640	1,359			**22,999**
18	Covered bonds	10,026				**10,026**
22	Other items	19,192				**19,192**
	Total credit risk exposure	**1,479,401**	**36,057**	**27,621**	**569**	**1,543,648**

Source: Template EU CRB-D

The Bank also monitors concentration risk for the credit portfolio at a regional level and uses this breakdown as part of its internal credit risk assessment methodology for capital planning, including ICAAP.

Residual maturity by asset and liability class

The table below sets out the contractual maturities of the Bank's financial liabilities and assets.

Table 12 Residual maturity by asset and liability class

31 December 2020	On demand £'000	Less than 3 months £'000	3 months - 1 year £'000	1 - 5 years £'000	More than 5 years £'000	Non-cash items £'000	Total £'000
Financial assets							
Cash and cash equivalents	375,679	-	-	-	-	-	375,679
Loans and advances to credit institutions	21,404	1,301	-	-	-	-	22,705
Loans and advances to customers	3,488	31,688	86,915	412,626	536,732	-	1,071,448
Debt securities	-	7,843	8,584	92,081	44,497	-	153,005
Other assets	-	1,172	281	363	87	14,961	16,863
	400,571	42,003	95,779	505,070	581,316	-	1,639,701
Financial liability							
Deposits from credit institutions	15,674	641	1,473	8,094	8,261	-	34,142
Customer accounts	980,237	359,608	52,696	20,188	-	-	1,412,730
Debt issued	-	-	8	-	5,695	-	5,703
Lease liabilities	-	32	98	438	764	-	1,332
Other liabilities		141	2,527	750		1,024	4,443
	995,912	360,422	56,802	29,469	14,720	1,024	1,458,350

Exposure by credit quality steps

The Bank uses Moody's and Fitch as External Credit Assessment Institutions (ECAIs) for counterparty exposures. The mappings between the external credit assessment institutions used by the Bank and the credit quality steps used to determine the risk-weight are detailed in the following table. Where no external rating is used in the risk-weighted asset calculation, the unrated credit quality step applies.

Table 13 Credit quality steps

	Fitch	Moody's
Step 1	AAA to AA-	Aaa to Aa3
Step 2	A+ to A-	A1 to A3
Step 3	BBB+ to BBB-	Baa1+ to Baa3
Step 4	BB+ to BB-	Ba1 to Ba3
Step 5	B+ to B-	B1 to B3
Step 6	CCC+ and below	Caa1 and below

At 31 December 2020 the Bank had £55.8m gross carrying value exposures across the exposure classes listed below with £14.6m credit assessment by one of the nominated ECAI's:

- Public sector entities
- Institutions
- Corporates
- Covered bonds

Operational risk

The Bank applies the Basic Indicator Approach (BIA) to quantify the capital requirement for operational risk. under Pillar 1. Under this approach, 15% of the Bank's average operating income for the previous three years is used. Income is defined in CRR Article 316 as the sum of net interest income and non-interest income. An operational RWA is then calculated such that 8% of that RWA gives the Pillar 1 capital requirement.

Interest rate risk in the banking book (IRRBB)

The Bank is mainly exposed to interest rate risk where the Bank holds fixed rate assets and liabilities; when market rates change the value of these items is affected because their rate remains fixed.

The Bank uses an internal capital model for IRRBB and the appetite is calculated based on the standard PV200 calculation.

A PV200 calculation assigns all balance sheet items to a "time bucket" based on the next interest re-pricing date (or maturity date if fixed) and discounts them back using a current market curve to assess its Present Value (PV0). The discount factors can then be adjusted to simulate an immediate parallel 200bps increase and a 200bps decrease in rates. The difference between the PV0 and the 2% shifts up and down indicate the Bank's sensitivity to interest rate movements from a value perspective.

The Bank's sensitivity to interest rate movements from an earnings perspective is disclosed in the Annual Report and Accounts note 26.

LEVERAGE

The Bank calculates and monitors a leverage ratio as required by CRD IV. This measures the ratio of the capital resources to total assets.

The minimum leverage ratio has been considered to be set at 3% for the Bank in line with PRA rulebook section 2015/89 although the Bank notes that it is not caught by the full requirement as its retail deposits do not exceed GBP 50bn.

The Bank considers its ability to meet the above ratio as part of its core capital requirements. The risk of excessive leverage is the risk of significant mismatches between assets and obligations. The Bank currently maintains a very strong leverage ratio as shown in the table below. The risk of excessive leverage is not considered to be material to the Bank.

The ratio is calculated as Tier 1 capital/total assets (on and off-balance sheet) adjusted for capital deductions.

The Leverage ratio common disclosure is in Appendix E.

Table 14 Leverage ratio

	31-Dec-20	31-Dec-19
Leverage ratio	10.1%	11.7%

Table 15 Summary reconciliation of accounting assets and leverage ratio exposure

		31-Dec-20 £'000	31-Dec-19 £'000
1	Total assets per published financial statements	1,639,370	1,378,463
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	89,652	83,488
7	Other adjustments	(952)	(1,385)
	Leverage ratio exposure measure	**1,728,069**	**1,460,566**

ASSET ENCUMBRANCE

An asset is defined as encumbered if it has been pledged as collateral against an existing on or off-balance sheet liability and therefore is no longer available for disposal or as collateral to support liquidity or funding requirements of the Bank.

An amount of £550,000 (2019: £565,000) is held as collateral for Mastercard transactions in an account at US Bank and can be drawn on by Mastercard if the Bank fails to meet its obligations to settle its customers' Mastercard transactions.

The Bank has no other assets pledged as collateral.

Table 16 Template A: Encumbered and unencumbered assets

Encumbered assets	**Carrying amount of encumbered assets 31-Dec-20 £'000**	**Carrying amount of unencumbered assets 31-Dec-20 £'000**	**Carrying amount of encumbered assets 31-Dec-19 £'000**	**Carrying amount of unencumbered assets 31-Dec-19 £'000**
Loans on demand	550	397,595	566	263,165
Debt securities	-	153,005	-	116,251
Loans and advances other than loans on demand	-	1,071,688	-	977,903
Other assets	-	16,863	-	20,741
Carrying amount of assets	**550**	**1,639,151**	**566**	**1,378,061**

The Bank of England Cash Ratio Deposit is held within ‘other assets’.

LIQUIDITY COVERAGE RATIO

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

The aim of the LCR is to ensure that firms have sufficient liquid assets to withstand a short-term liquidity stress of 30 days by comparing the firm's HQLA holdings to its net stressed cash outflows.

The LCR is calculated as follows:

"Liquidity Buffer" /"Net Liquidity Outflows over a 30 calendar day stress period" "= Liquidity Coverage Ratio (%)"

As at 31 December 2020, the Bank's LCR was at 414.1 %. This is calculated as a total HQLA of £519.5m against net cash outflows of £125.4m.

The Bank monitors and reports the Liquidity Coverage Ratio (LCR) on an unconsolidated reporting basis. This is monitored in line with internal risk appetite thresholds set by the Board. The weighted average liquidity buffer (representing eligible High Quality Liquid Assets (HQLA)), 30 day net cash outflows and LCRs are shown in the table below. The averages are calculated over a 12 month period with the exception of 31 March 2020 which uses an 11 month period, as 1 May 2019 was the start of the Bank's operational period.

Table 17 Liquidity Coverage Ratio

	31-Mar-20	**30-Jun-20**	**30-Sep-20**	**31-Dec-20**
Liquidity buffer (£'000)	357,830	349,234	361,511	395,380
Net outflows over 30 days (£'000)	57,945	57,452	59,460	69,345
Liquidity coverage ratio (%)	617.5%	607.9%	608.0%	570.2%

The ratio exceeded all internal and regulatory minimum values throughout the year.

REMUNERATION POLICY AND PRACTICES

These disclosures are made in accordance with Article 450 of the CRR. This statement sets out the disclosures as they apply to the Bank. The Bank is classified as a Level 3 Bank under the Remuneration Guidelines set out in the PRA Rulebook.

Remuneration Policy

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

The key principles of the policy are:

Fair remuneration and social coherence

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

Risk mitigation and avoiding conflicts of interest

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

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

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

Link between pay and performance

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

Fixed remuneration

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

Variable remuneration

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

Triodos Bank does not offer bonus or share option schemes to either members of the Executive Board, the Supervisory Board, the Board of SAAT nor to co-workers.

Local application of International Remuneration & Nomination Policy

At a local level the UK Board is responsible for remuneration policy and governance of all matters relating to remuneration within the Bank. The UK Remuneration Guidelines provide a local interpretation of core elements of the Policy with respect to fixed salaries and TOAs.

The total overall increase in the Bank's combined salaries is determined each year by the Head of HR, CFO and CEO, who have the necessary skills to exercise the appropriate judgement with regards to remuneration policy and practices. Remuneration of locally defined roles; CEO, Core Management Committee and Local heads, is approved according to the RACI responsibilities outlined in the Policy.

Quantitative disclosures

This section provides details of the remuneration of Triodos Bank UK co-workers, including Material Risk Takers (MRTs) for the year ending 31 December 2020.

MRTs are those individuals whose professional activities have a material impact on the Bank's risk profile, based on the qualitative and quantitative criteria set by the European Banking Authority under Commission Delegated Regulation (EU) No 604/2014. We identify MRTs applying the European Banking Authority Regulatory Technical Standards for the definition of MRTs for remuneration purposes and assessing the materiality of the impact a role would have on the risk profile of Triodos Bank UK.

During the year there were a total of 26 MRTs. This list is maintained by Human Resources.

Those identified as MRTs include, but are not limited to:

- Executive and non-executive directors of the Bank
- Senior Management (being the other members of the Bank's Management Team, as listed in the Annual Report and Accounts)
- Other staff with key functional or managerial responsibility including senior managers of control functions such as audit and risk
- Other risk takers, whose professional activities could have a material impact on the Bank's risk profile

The Bank employed 208 co-workers at 31 December 2020 (2019: 204). A detailed breakdown of staff costs can be found in Note 5 of the Annual Report and Accounts. The table below provides a breakdown of staff costs for the Bank and MRTs. Fixed remuneration is defined as base salary and other benefits such as pension and healthcare) and variable remuneration as TOAs made in the financial period. The Bank operates in one material business unit – Business Banking.

Table 18 Remuneration

31 December 2020	**All Material Risk Takers £'000**	**All staff £'000**
Fixed remuneration		
Number of employees	26	204
Total fixed remuneration	2,075	9,190
Variable remuneration		
Number of employees	-	-
Total variable remuneration	-	-
Total remuneration	**2,075**	**9,190**

Figures shown above are the staff costs relating to the 26 co-workers identified during the year as MRTs, including any remuneration in the year received before or after they ceased to be MRT, and including starters and leavers.

Due to some teams having a small number of co-workers, a breakdown by business area or MRT function is not disclosed.

The Bank does not enter into sign-on agreements with new starters. During the year there was one severance payment relating to a MRT. No co-worker received variable or total remuneration in excess of £500,000.

APPENDICIES

Appendix A – Risk management disclosures

Risk Statement

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

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

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

Risk Management Overview

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

Risk Appetite

The Bank's risk appetite is shaped by the Board, which provides a clear articulation of the level and types of risk that the Bank is prepared to accept in order to achieve its desired strategic outcomes. It is expressed and embedded through a 'high-level' Risk Appetite Statement that is set on an annual basis by the Board with regular reviews to consider both internal and external market developments and through 'directional' limits for key factors that influence the target outcomes.

A clear risk appetite enables the Bank to understand potential links between different aspects of its risk profile. In this way, strategic decisions are made in the full context of those factors likely to be of interest to a range of stakeholders, enabling them to understand the Bank's current and future risk profile, how it benchmarks versus others and how it supports our strategic objectives.

Performance against risk appetite measures is monitored and reported to our Core Management Committee (CMC) on a monthly basis, and at each Board Audit and Risk Committee (ARC). Additionally, escalation processes are embedded to notify Senior Management and Board members of any risk appetite measures operating outside of approved thresholds. A qualitative overlay provides additional insight to both current performance and any emerging trends or issues. This enables the CMC and ARC members to both challenge and provide direction to ensure the Bank remains within the agreed risk appetite and support the achievement of its strategic goals.

The following table sets out the actual ratios for some of the key metrics monitored for risk and performance purposes in 2020.

Table 19 Summary of metrics

	31-Dec-20 £'000	31-Dec-19 £'000
Capital		
Common Equity Tier 1 (CET1)	174,426	170,452
Risk weighted assets	770,444	840,575
Common Equity Tier 1 ratio (%)	22.6%	20.3%
Additional CET1 buffer requirements as a percentage of RWA		
Capital conservation buffer requirement (%)	2.5%	2.5%
Countercyclical buffer requirement (%)	0%	1%
Basel III Leverage Ratio		
Total Basel III leverage ratio exposure measure	1,728,069	1,460,566
Basel III leverage ratio (%)	10.1%	11.7%
Liquidity Coverage Ratio[1]		
Total HQLA	519,569	343,679
Total net cash outflow	125,480	67,968
LCR ratio (%)	414.1%	505.6%

[1]LCR balances included above are as at 31 December and do not agree to balances included in the table disclosed in the Liquidity Coverage Ratio section which reports average LCR balances.

Appendix B – Capital instruments' main features

The Bank is required to disclose the main features of its capital instruments per Article 437(1) of the CRR (Regulation (EU) No 575/2013).

The template should be completed for the categories: Common Equity Tier 1 instruments, Additional Tier 1 instruments and Tier 2 instruments. The Bank has Common Equity Tier 1 instruments and Tier 2 instruments.

Capital instruments' main features template

		CET1	Tier 2
1	Issuer	Triodos Bank UK Ltd	Triodos Bank UK Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement	Public offer (on Triodos Bank UK Ltd Crowdfunding Platform)
3	Governing law(s) of the instrument	English law	English law
	Regulatory Treatment		
4	Transitional CRR rules	CET1	Tier 2
5	Post-transitional CRR rules	CET1	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common equity	Dated fixed rate subordinated note
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£172,000,000	£5,694,800
9	Nominal amount of instrument	£1	£5,694,800
9a	Issue price	£1	£5,694,800 (100%)
9b	Redemption price	Not applicable	£5,694,800
10	Accounting classification	Shareholders' equity	Liability and amortised cost
11	Original date of issuance	1000 'Ordinary' Class 23 May 2018 5,000,000 'Ordinary' Class 21 January 2019 166,999,000 'Ordinary' Class 30 April 2019	£5,694,800 23 December 2020
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	Not applicable	18 September 2030
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	18 September 2025
16	Subsequent call dates, if applicable	Not applicable	Not applicable
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating	Fixed
18	Coupon rate and any related index	Not applicable	4% On fifth anniversary (and if not called), the interest rate is reset and fixed at 3.9% above the prevailing base rate at that time, and will apply for the remainder of the term.
19	Existence of dividend stopper	No	No
20a	Fully discretionary, partial discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
20b	Fully discretionary, partial discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Convertible (only at regulator's discretion)
24	If convertible, conversion trigger(s)	Not applicable	Pre-emptive action by regulator to avoid insolvency
25	If convertible, fully or partial	Not applicable	Fully
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Mandatory
28	If convertible, specify instrument type convertible into	Not applicable	Shares
29	If convertible, specify issuer of instrument it converts into	Not applicable	Triodos Bank UK Ltd
30	Write-down features	No	No

31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	All subordinated notes	All other liabilities
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

Appendix C – Own funds disclosure

The following own funds disclosure aims to reflect the detailed capital position of the Bank. The Bank is required to disclose the specific items on own funds described in points (d) and (e) of Article 437 (1) of Regulation (EU) No 575/2013.

		Applicable amount 31-Dec-20 £'000
	Common Equity Tier 1: (CET1) capital: instruments and reserves	
1	Capital instruments and the related share premium accounts	172,000
	of which: Ordinary Shares	172,000
	of which: Instrument type 2	-
	of which: instrument type 3	-
2	Retained earnings	3,711
3	Accumulated other comprehensive income (and other reserves)	-
3a	Funds for general banking risk	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-
5	Minority interests (amount allowed in consolidated CET1)	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments (sum of rows 1 to 5a)**	**175,711**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	
7	Additional value adjustments	-
8	Intangible assets (net of related tax liability)	(1,285)
9	Empty set in the EU	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article (38) are met)	-
11	Fair value reserves related to gains or losses on cash flow hedges	-
12	Negative amounts resulting from the calculation of expected loss amounts	-
13	Any increase in equity that results from securitlsed assets	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-
15	Defined-benefit pension fund assets	-
16	Direct and indirect holdings by an institution of own CET1 instruments	-
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions)	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-
20	Empty set in the EU	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-
20b	of which: qualifying holdings outside the financial sector	-
20c	of which: securitisation positions	-
20d	of which: free deliveries	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-
22	Amount exceeding the 15% threshold	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-
24	Empty set in the EU	-
25	of which: deferred tax assets arising from temporary differences	-
25a	Losses for the current financial year	-

26a	Foreseeable tax charges relating to CET1 items	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1) (sum of rows 7 to 20a, 21, 22 and 25a to 27)**	**(1,285)**
29	**Common Equity Tier 1 (CET1) capital (row 6 minus row 28)**	**174,426**
	Additional Tier 1 (AT1) capital: instruments	
30	Capital instruments and the related share premium accounts	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments (sum of rows 30, 33 and 34)**	**-**
	Additional Tier 1 (AT1) capital: regulatory adjustments	
37	Direct and indirect holdings by an institution of own AT1 instruments	-
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	-
41	Empty set in the EU	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital (sum of rows 37 to 42)**	**-**
44	**Additional Tier 1 (AT1) capital (row 36 minus 43)**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1) (sum of row 29 and row 44)**	**174,426**
	Tier 2 (T2) capital: instruments and provisions	
46	Capital instruments and the related share premium accounts	5,695
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Credit risk adjustments	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,695**
	Tier 2 (T2) capital: regulatory adjustments	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the Institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	-
56	Empty set in the EU	-
57	**Total regulatory adjustments to Tier 2 (T2) capital (sum of rows 52 to 56)**	**-**
58	**Tier 2 (T2) capital (row 51 minus row 57)**	**5,695**

59	**Total capital (TC = T1 + T2) (sum of row 45 and row 58)**	**180,121**
60	**Total risk weighted assets**	**770,444**
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	22.6%
62	Tier 1 (as a percentage of total risk exposure amount)	22.6%
63	Total capital (as a percentage of total risk exposure amount)	23.4%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	-
65	of which: capital conservation buffer requirement	2.5%
66	of which: countercyclical buffer requirement	-
67	of which: systemic risk buffer requirement	-
67a	of which: Global Systemically Important Institution (G-Sll) or Other Systemically Important Institution (0-S11) buffer	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	18.1%
69	[non relevant in EU regulation]	-
70	[non relevant in EU regulation]	-
71	[non relevant in EU regulation]	-
	Amounts below the thresholds for deduction (before risk weighting)	
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amounts below 10% threshold and net of eligible short positions)	-
73	Direct and indirect holdings by the institution of the CET1 Instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
74	Empty set in the EU	-
75	Deferred tax assets arising from temporary differences (amounts below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in 12 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
80	— Current cap on CET1 instruments subject to phase out arrangements	-
81	— Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	— Current cap on AT1 instruments subject to phase out arrangements	-
83	— Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	— Current cap on T2 instruments subject to phase out arrangements	-
85	— Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Appendix D – Disclosure in relation to the requirement for a countercyclical capital buffer

Table 20 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

31 December 2020	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements				Own funds requirements weights	Countercyclical buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value IRB	Of which: general credit exposures	Of which: trading book exposures	Of which: securitisation exposures	Total		
	010	020	030	040	050	060	070	080	090	100	110	120
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**		**%**
(AU) Australia	3						0			0	0.00	0.0%
(CA) Canada	1						0			0	0.00	0.0%
(DK) Kingdom of Denmark	2,649						117			117	0.00	0.0%
(ES) Kingdom of Spain	1						0			0	0.00	0.0%
(FR) French Republic	2						0			0	0.00	0.0%
(GB) Great Britain and Northern Ireland	1,160,342						55,158			55,158	97.00	0.0%
(IE) Ireland	33,275						1,631			1,631	3.00	0.0%
(IT) Italian Republic	0						0			0	0.00	0.0%
(JP) Japan	0						0			0	0.00	0.0%
(NL) Kingdom of Netherlands	2						0			0	0.00	0.0%
(SE) Kingdom of Sweden	0						0			0	0.00	0.0%
Total	**1,196,275**	**-**	**-**	**-**	**-**	**-**	**56,907**	**-**	**-**	**56,907**	**1.00**	**0.0%**

Table 21 - Amount of institution-specific countercyclical capital buffer

	31-Dec-20
Total risk exposure amount (£'000)	770,444
Institution specific countercyclical capital buffer rate (%)	0.0%
Institution specific countercyclical capital buffer requirement (£'000)	-

Appendix E – Leverage ratio common disclosure

		31-Dec-20 £'000
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,639,701
2	Asset amounts deducted in determining Tier 1 capital	(1,285)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets, but including collateral) (sum of lines 1 and 2)**	**1,638,417**
	Derivative exposures	
4	Replacement cost associated with derivative transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with derivatives transactions (mark-to-market method)	-
EU-5a	Exposures determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	Deductions of receivable assets for cash variation margin provided in derivatives transactions	-
8	Exempted CCP lef of client-cleared trade exposures	-
9	Adjusted effective notional amount of written client derivatives	-
10	Adjusted effective notional offsets and add-on deductions for written client derivatives	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**-**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	Netted amounts of cash payables and cash receivables of gross SFT assets	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	Exempted CCP leg of client-cleared SFT exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**
	Off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	179,139
18	Adjustments for conversion to credit equivalent amounts	(89,487)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**89,652**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013	
EU-19a	Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013	-
EU-19b	Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on and off balance sheet)	-
	Capital and total exposure measure	
20	**Tier 1 capital**	**174,426**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU19a and EU19b)**	**1,728,069**
	Leverage ratio	
22	**End of quarter leverage ratio**	**10.1%**
	Choice of transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-