TESCO PERSONAL FINANCE GROUP PLC

PILLAR 3 DISCLOSURES

FOR THE YEAR ENDED 29 FEBRUARY 2024

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Tables

Notes:
Row numbers in the above tables relate to the Prudential Regulation Authority (PRA) prescribed references within the standardised templates; where rows contain a nil value, these have been excluded for the purposes of these disclosures.

Introduction and Basel Framework

This document presents the Pillar 3 disclosures on capital and risk management of the regulated group (the Group) for the year ended 29 February 2024. The Group comprises Tesco Personal Finance Group plc (TPFG plc) and Tesco Personal Finance plc (TPF plc) but excludes the insurance underwriting subsidiary, Tesco Underwriting Ltd (TU), and the Special Purpose Entities (SPEs) supporting the Group's securitisation transactions. The Group and its scope of consolidation are illustrated on Page 8 to Page 12.

Regulatory Framework for Disclosures

The Basel framework is structured around three pillars which govern minimum capital requirements, outline the supervisory review framework and promote market discipline through disclosure requirements.

- Pillar 1 sets out the minimum capital requirement that firms are required to meet for Credit, Market and Operational Risk.
- The Pillar 2 supervisory review process requires firms and supervisors to form a view on whether a firm should hold additional capital against risks not considered or not fully covered in Pillar 1 (e.g. interest rate risk in the banking book and pension obligation risk) and factors external to the firm (e.g. economic cycle effects). To comply, institutions are required to develop adequate arrangements, strategies, processes and mechanisms to maintain sound management and coverage of their risks, including maintenance of the prescribed capital.
- Pillar 3 aims to complement the capital requirement and supervisory review process by encouraging market discipline through developing a set of disclosure requirements that allow market participants to assess the scope of application, risk exposures, risk assessment process and capital adequacy of firms. The Pillar 3 disclosures contained within this document have two principal purposes:

  a. to meet the regulatory disclosure requirements under the Disclosure (CRR) Part of the PRA Rulebook (CRR), supplemented by any specific additional requirements of the Prudential Regulatory Authority (PRA); and

  b. to provide transparency and further useful information on the capital and risk profile of the Group.

Introduction and Basel Framework (continued)

Business Developments

Proposed sale of the Group's Banking business to Barclays Bank UK plc

On 9 February 2024, the Group announced an agreement on the terms of a proposed sale of the Group's Banking business, comprising all Personal Loans, Credit Cards and Savings portfolios, together with certain associated other assets and liabilities, including the Group's securitisation special purpose vehicle (collectively referred to throughout these Financial Statements as the Banking business or disposal group), to Barclays Bank UK plc (Barclays) for £600m. All other existing activities of the Group, including Insurance, ATMs, Travel Money and gift cards will remain within the Group.

The proposed sale, which is currently expected to complete within 12 months of the reporting date, is subject to Court approval of a Part VII transfer under the Financial Services and Markets Act 2000 (Part VII transfer), regulatory approval by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and non-objection by the Competition and Markets Authority (CMA).

Linked to this, Tesco PLC announced a strategic partnership with Barclays, initially for a 10-year period. The partnership approach between Tesco PLC and Barclays is key as Tesco PLC continues to see value in providing financial services to its customers to help them manage their money a little better every day. It was recognised that the potential to grow the savings and lending books could be better realised through Tesco PLC partnering with an organisation that has banking as its core focus.

Effect on the Group's Capital

The accounting impacts of the proposed sale of the Group's Banking business, as described in the Annual Report and Financial Statements, as well as the inclusion of foreseeable charges in relation to the transaction, together with the payment of a special dividend in the first half of the year of £250.0m (2023: £nil), has resulted in a decrease in available Capital Resources.

Capital ratios remain above regulatory requirements at 11.1% (CET1) and 15.8% (Total Capital) at 29 February 2024. Ratios are forecast to remain above the regulatory minimum requirements throughout the period until completion of the proposed sale of the Group's Banking business.

The Group's current regulatory capital position reflects the impact on the Group's capital of the proposed sale of its Banking business and is therefore both firm-specific and time-bound. If the proposed sale of the Group's Banking business does not proceed, the accounting impact of the proposed sale reverses and capital resources in the form of retained earnings return to their former level, with a commensurate increase in the Group's capital adequacy ratios.

Excluding the accounting impact of the proposed sale of the Group's Banking business, as described in the Annual Report and Financial Statements, as well as the foreseeable charge impacts , the capital ratio calculations show that the underlying ratios remain approximately in line with the ratios reported at 31 August 2023.

Separately to the above, on 31 August 2023, following a review of the Group's capital structure, the Group reduced its share capital by cancellation of £15.0m of its ordinary shares and a £135.0m partial cancellation of its share premium account following approval by the PRA and confirmation by Order of the Court of Session in Edinburgh.

Linked to this, on 31 August 2023 the Group issued £150.0m of 11.5 per cent fixed rate reset AT1 securities to Tesco PLC which form part of the Group's total equity.

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Introduction and Basel Framework (continued)

Effect on the Group's Liquidity

The proposed sale of the Group's Banking business is not expected to have a material impact on the Group's liquidity and funding positions in the period up to completion, with the liquidity position forecast to remain in excess of internal and regulatory requirements.

Effect on the Group's business

Once complete, the proposed sale of the Group's Banking business will change the nature of the Group's business and therefore its risk profile. However, Management remains responsible for the effective running of the regulated Banking business and its associated risks until completion and risk management disclosures throughout these Pillar 3 Disclosures therefore continue to relate to the Group as a whole unless otherwise stated.

The non-financial reporting effects of the proposed sale are expected to include:

- Changes to the Group's risk profile and principal risks: credit risk is primarily associated with the Banking business being sold and, to a much lesser extent, the Group's portfolios of investment securities. Linked to the proposed sale of its Banking business, the Group expects to sell its portfolio of investment securities held at amortised cost and utilise the proceeds to repay its borrowings under the Bank of England's (BoE) Term Funding Scheme with Incentives for Small and Medium-Sized Entities (TFSME), AT1 issuance and subordinated loans. The nature and relative significance of the Group's exposure to operational risk will also be reassessed.

- Changes to the Group's regulatory requirements: once the proposed sale is complete, TPF plc will apply to the PRA to remove its Banking permissions. Until this completes, the Group will remain subject to current regulatory requirements, albeit without any regulated Banking activities within the Group. TU will remain subject to Solvency II rules.

- Ongoing equity requirement: the ongoing level of equity required in the Group is currently being assessed by Management. Post-completion, TPF plc and TPFG plc will undertake share capital reductions and, once the ongoing level of required equity has been determined, any surplus capital will be repaid to Tesco PLC.

- Risk management and governance processes: the Group's governance structure will be updated as necessary to provide oversight and challenge to the safe and effective implementation of the separation of its Banking business, as required by the terms of the proposed sale. Thereafter, the Group's governance structure will be aligned to the nature of, and risks associated with, the retained business.

Implementation of IFRS 17

The Group adopted International Financial Reporting Standard (IFRS) 17 'Insurance Contracts' with effect from 1 March 2023. This was adopted retrospectively and prior year comparatives in relevant tables have been restated.

Customer redress

During the year, the Group identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with Consumer Credit Act (CCA) regulated products have not been fully met. It is the Group's intention to redress customers in order to reflect the operation of the CCA in respect of the customers' liability. A provision of £27.5m has been recognised at 29 February 2024 in relation to the cost of refunding previously recognised interest and fees, along with the associated costs of the redress programme. Given the historic nature of the matter identified, opening retained earnings at 1 March 2022 have been restated in respect of the recognition of this provision.

Regulatory Developments

The Group continues to monitor and prepare for a number of regulatory changes taking effect over the next few years.

Introduction and Basel Framework (continued)

Regulation changes

The PRA has confirmed that the final implementation of the Basel III Framework will be on 1 July 2025. The PRA has published a number of Policy Statements covering the Strong and Simple Framework Liquidity and Disclosure Requirements, enhancing proportionality rules for Remuneration, and Part 1 of the Implementation of Basel 3.1 standards. Final Policy Statements relating to Basel 3.1 for Credit Risk and Disclosure requirements as well as Small Domestic Deposit Takers is expected later in 2024.

The Group continues to work closely with the industry and regulators to understand the impact of these reforms on the Group. Once the proposed sale of the Group's Banking business is complete, the Group will apply to the PRA to remove its Banking permissions. Removal of these permissions will significantly limit the impact of Basel 3.1 changes on the remaining business.

Throughout this document, the original and amended regulation (CRR and CRR2) and directive (CRD IV and CRD V) are collectively referred to as CRR and CRD.

Following the UK's withdrawal from the EU any reference to EU regulations and directives (including technical standards) should be read as a reference to the UK's version of such regulation or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, as amended by Statutory Instruments or implemented in the PRA Rulebook.

Consumer Duty

Consumer Duty is a new regulatory requirement published by the Financial Conduct Authority (FCA) which came into effect on 31 July 2023. It introduced a new principle, which applies in place of the Treating Customers Fairly principle, that a firm must act to deliver good outcomes for retail customers. This requires the Group to:

- assess its products and services to ensure these deliver fair value and adequate support to customers;
- monitor and report to the Board on customer outcomes, including taking action to improve outcomes where necessary; and
- give customers the information they need at the right time, presented in a way that they can understand.

In preparation for Consumer Duty coming into effect, the Group carried out a review across the four Consumer Duty outcomes and, as a result, implemented a series of enhancements across its range of products, customer journeys and processes. To embed the consideration of customer outcomes going forward, the Group designed and developed a new 'Good Outcomes' framework, building on its existing conduct risk framework. The revised framework has an enhanced suite of Customer Outcomes Management information, which is regularly monitored, and a set of consistent consumer understanding principles which are used to check that customer communications are clear, fair and easy to understand. Additional requirements relating to closed book products and Board reporting come into effect in July 2024 and activity is ongoing to fully embed the new requirements across the Group in line with regulatory deadlines.

Minimum Requirements for Own Funds and Eligible Liabilities (MREL)

On 1 January 2020, the Group became subject to MREL, with an interim requirement of 18% of risk weighted assets until 31 December 2022. In order to meet this requirement, TPFG undertook an initial £250.0m issuance of MREL compliant debt in July 2019.

On 9th December 2021, the Bank of England confirmed a change in the Group's preferred resolution strategy from partial-transfer to a modified form of insolvency, effective from 1 January 2022. As set out in its MREL Statement of Policy, the Bank of England does not expect to set an MREL in excess of Total Capital Requirements for firms with a modified form of insolvency as the preferred resolution strategy. Accordingly, as part of a tender process undertaken in November 2022, the Bank redeemed £105.3m of outstanding MREL compliant debt, with the remaining £144.7m still in issue at 29 February 2024.

The Group expects to redeem its MREL compliant debt of £144.7m on the call date in July 2024. The Group has given the required notice in respect of this call to the holders of its MREL compliant debt.

Introduction and Basel Framework (continued)

Climate Change

Climate Change continues to be a risk which impacts the Group. Further information as to how the Group is addressing the challenge of Climate Change is contained in the Annual Report and Financial Statements.

https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Disclosure Policy

The Group has a formal policy which details its approach to complying fully with the Pillar 3 disclosure requirements as laid out in the Disclosure (CRR) Part of the PRA Rulebook and any updates as appropriate.

Frequency of Disclosure

In accordance with that policy, the Group has assessed itself against the need to publish Pillar 3 disclosures and determined that full Pillar 3 disclosures should be published on an annual basis and that Key Metrics (UK KM1) are required to be published on a semi-annual basis. The assessment is due to the following reasons:

- The Group does not meet the criteria for being either a 'small and non-complex' institution or a 'large' institution and is therefore assessed as being an 'other institution'; and
- The Group does not meet the definition of being a non-listed institution because securities have been issued to a regulated market.

The frequency of disclosure will be reviewed at least annually against the criteria outlined in CRR and requirements issued by the PRA. A review of disclosure frequency will be triggered should there be a material change in the approach used for the calculation of capital, or if there is an increase in business scale or changes to regulatory requirements.

The Group's assessment has concluded that all Pillar 3 disclosure tables are required to be published on an annual basis, with the exception of KM1 as noted above. Due to the Group's business activities and relevant regulatory thresholds, a number of these tables are not applicable. The rationale for non-disclosure of each table is listed in Appendix 3.

Verification and Medium

In line with the Pillar 3 disclosure requirements published by the PRA, the Group’s Pillar 3 Policy requires that “information required to be disclosed is subject (at a minimum) to the same level of internal review and internal control processes as the other information provided by institutions for their financial reporting”.

These Pillar 3 disclosures have been verified and approved through internal governance, including review by the Board Disclosure Committee and approval by the Board. The disclosures are not subject to independent audit except where they are the same as those audited disclosures prepared under accounting requirements and disclosed in the Annual Report and Financial Statements of both Tesco Personal Finance Group plc and Tesco Personal Finance plc (the Company).

Certain disclosure information required can be found in the Annual Report and Financial Statements of both Tesco Personal Finance Group plc and the Company. References to these disclosures are clearly signposted throughout this document and can be found on the Tesco Bank corporate website at:

https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Each of the Directors, whose names are listed in Appendix 2, confirms that to the best of their knowledge that the disclosures provided according to Disclosure (CRR) Part of the PRA Rulebook have been prepared in accordance with the internal control processes agreed upon at the management body level.

Approved by the Tesco Personal Finance Group plc Board and signed by their order.

Richard Henderson
Chief Financial Officer
8 April 2024

Jacqueline Ferguson
Independent Non-Executive Chair
8 April 2024

Disclosure Policy (continued)

Use of Disclosure Waivers

CRR allows institutions to omit one or more of the required disclosures if information provided by such disclosures is not regarded as material or if it would be regarded as proprietary or confidential (with the exception of disclosures relating to Own Funds, Remuneration and Diversity). The Group has not made use of any waivers, because disclosures are only omitted due to not meeting regulatory thresholds which trigger such disclosures, or because the Group does not have applicable exposures.

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures

Scope of Consolidation

The Company, trading as Tesco Bank, currently provides a range of financial services and products, primarily to personal customers under the Tesco Bank brand, through telephony and on-line channels and Tesco Stores.

Products and services currently offered by the Group include unsecured Personal Loans, Savings accounts, Credit Cards, general insurance, Travel Money, Gift Cards, ATMs and Clubcard Pay+. The proposed sale of the Group's Banking business will transfer ownership of the Group's Banking business, comprising its unsecured Personal Loans, Savings accounts, Credit Cards, and Clubcard Pay+, to Barclays. All other existing activities of the Group, including general insurance, Travel Money, Gift Cards and ATMs will remain within the Group.

The table below outlines the differences between the statutory and regulatory scope of consolidation for all relevant entities.

UK LI3: Outline of the differences in the scope of consolidation (entity by entity)

a	b	c	d	e	f	g	h
		Method of regulatory consolidation					
Name of the entity	Method of Accounting Consolidation	Full Consolidation	Proportional Consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of entity
Tesco Personal Finance Group plc	Full Consolidation	X					Holding Company
Tesco Personal Finance plc	Full Consolidation	X					Banking Services
Tesco Underwriting Ltd	Full Consolidation					X	Insurance entity subsidiary
Delamare Funding 1 Limited	Full Consolidation				X		Special Purpose Entity
Delamare Funding 2 Limited	Full Consolidation				X		Special Purpose Entity
Delamare Cards HoldCo Limited	Full Consolidation				X		Special Purpose Entity
Delamare Cards MTN Issuer plc	Full Consolidation				X		Special Purpose Entity
Delamare Cards Receivables Trustee Limited	Full Consolidation				X		Special Purpose Entity

Note: TU is excluded from the regulatory scope of consolidation and is classified as 'deducted': the Group has made the required deductions from Tier 1 and Tier 2 capital and has risk weighted the remaining value of the investment at 250%. The Group's SPEs are fully consolidated for accounting purposes. Significant Risk Transfer (SRT) has not been achieved and the Group retains all underlying positions on its balance sheet and risk weights accordingly.

Comparability

The differences outlined above between the statutory and regulatory scope prevent direct comparison between the Annual Report and Financial Statements of Tesco Personal Finance Group plc and the Group's Pillar 3 disclosures in a number of areas.

To aid users, a statutory and regulatory scope balance sheet together with a reconciliation showing all items affecting regulatory own funds is detailed in table UK CC2 (Page 9). Table UK LI1 (Page 10) shows the mapping of the regulatory scope balance sheet across different risk frameworks.

Pillar 3 exposure values are derived from statutory balance sheet values, net of provisions where appropriate, together with undrawn credit facilities which are assigned credit conversion factors based on prescribed regulatory values. The Group applies the credit conversion factors to its credit card exposures at 0%. As at 29 February 2024, the Group has £12.8bn of undrawn credit lines to customers all of which relate to undrawn credit card facilities. However, the Group considers that the likely exposure, which is impacted by factors such as customer behaviour and the regular assessment of the creditworthiness of customers, is significantly less than the total unused commitments.

The Group is required under CRR to make certain adjustments to Own Funds, the most material being in relation to intangible assets, application of threshold deductions, dated Tier 2 capital instruments and the application of transitional arrangements in relation to IFRS 9.

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures (continued)

UK CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

	UK CC1	February 2024 Accounting balance sheet (per financial statements) £m	February 2024 Regulatory Scope £m	February 2023 Accounting balance sheet (per financial statements) £m	February 2023 Regulatory Scope £m
Assets					
Cash and balances with central banks		470.0	722.5	461.1	389.0
Loans and advances to banks		27.5	–	26.7	–
Loans and advances to customers		–	7,412.3	6,977.7	7,068.3
Derivative financial instruments		28.9	82.9	121.4	121.4
Investment securities		1,532.7	876.9	1,467.8	926.3
of which: loan to Tesco Underwriting Ltd deducted from Tier 2 CRR (2)	*a*	–	*42.0*	–	*42.0*
Reinsurance contract assets		124.9	–	135.2	–
Prepayments and accrued interest		30.3	56.2	46.5	47.2
Other assets		149.3	220.4	103.4	159.0
Current income tax asset		17.0	16.5	11.7	11.4
Deferred income tax asset		63.6	48.9	58.8	46.7
Investment in group undertaking		–	184.1	–	184.1
of which: significant investment in TU below threshold (2)	*b*	–	*77.4*	–	*157.5*
Intangible assets		50.5	19.4	142.6	108.8
of which; other intangibles (2)	*c*	–	*19.4*	–	*108.8*
Property, plant and equipment		63.7	61.1	82.7	79.9
Assets of the disposal group		7,698.6	–	–	–
Total Assets		10,257.0	9,701.2	9,635.6	9,142.1
Liabilities					
Deposits from banks		908.1	908.1	979.7	979.7
Deposits from customers		–	6,439.8	5,769.6	5,769.6
Debt securities in issue		143.2	143.2	137.5	137.5
Derivative financial instruments		8.7	24.9	16.9	16.9
Provisions for liabilities and charges		38.5	41.2	53.1	40.0
Accruals and deferred income		38.8	112.3	85.1	92.0
Other liabilities		104.5	680.8	195.7	205.5
Insurance contract liabilities		525.9	–	500.6	–
Deferred income tax liability		–	–	–	0.3
Subordinated liabilities and notes		237.5	237.5	236.9	236.9
of which: allowable for Tier 2 (2)	*d*	–	*235.0*	–	*235.0*
Liabilities of the disposal group		7,127.2	–	–	–
Total Liabilities		9,132.4	8,587.8	7,975.1	7,478.4
Equity and reserves attributable to owners of parent					
Share Capital		107.0	107.0	122.0	122.0
of which: amount eligible for CET 1 (2)	*e*	–	*107.0*	–	*122.0*
Share premium		963.2	963.2	1,098.2	1,098.2
of which: amount eligible for CET 1 (2)	*f*	–	*963.2*	–	*1,098.2*
Other equity Instruments		149.6	149.6	–	–
of which: amount eligible for Tier 1 (2)	*g*	–	*149.6*	–	–
Retained Earnings		(100.3)	(129.4)	447.9	423.1
of which: prior year retained profits (2)	*j*	–	*173.1*	–	*422.1*
of which: current year profit less dividend paid (2)	*k*	–	*(302.5)*	–	*1.0*
Other Reserves	*h*	5.1	23.0	(7.6)	20.4
of which: cash flow hedge reserve (2)	*i*	–	–	–	*0.1*
Total Equity		1,124.6	1,113.4	1,660.5	1,663.7
Total liabilities and equity		10,257.0	9,701.2	9,635.6	9,142.1

Notes:

(1) Insurance undertakings and SPEs are not consolidated within the Group's Pillar 3 disclosures, therefore adjustments are required to the assets and liabilities balances included within the accounting balance sheet to determine the Regulatory Scope. Other adjustments are made to the accounting balance sheet to provide transparency of figures used in the regulatory calculation.

(2) Italicised values represent subsets of values directly above them, and also show the splits between Tier 1 and Tier 2 Capital detailed in table UK CC1: Composition of regulatory own funds (page 23).

Please note Accounting balance sheet balances for February 2023 have been restated following the retrospective adoption of IFRS 17 in the current year and following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures (continued)

UK LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	February 2024						
	Carrying values as reported in published Financial Statements	Carrying values under Scope of Regulatory Consolidation	Carrying value of items subject to Credit Risk Framework	Carrying value of items subject to Counterparty Credit Risk Framework	Carrying value of items subject to Securitisation Framework	Carrying value of items subject to Market Risk Framework	Carrying value of items not subject to own funds requirements or subject to deduction from own funds
	a	b	c	d	e	f	g
	£m	£m	£m	£m	£m	£m	£m
Assets							
Cash and balances with central banks	470.0	722.5	722.5	–	–	–	–
Loans and advances to banks	27.5	–	–	–	–	–	–
Loans and advances to customers	–	7,412.3	7,412.3	–	–	–	–
Derivative financial instruments	28.9	82.9	–	82.9	–	–	–
Investment Securities	1,532.7	876.9	834.9	–	–	–	42.0
Reinsurance contract assets	124.9	–	–	–	–	–	–
Prepayments and accrued income	30.3	56.2	56.2	–	–	–	–
Other assets	149.3	220.4	220.4	–	–	–	–
Current income tax asset	17.0	16.5	16.5	–	–	–	–
Deferred income tax asset	63.6	48.9	41.7	–	–	–	7.2
Investment in Group undertakings	–	184.1	77.4	–	–	–	106.7
Intangible assets	50.5	19.4	–	–	–	–	19.4
Property, plant and equipment	63.7	61.1	61.1	–	–	–	–
Assets of the disposal group	7,698.6	–	–	–	–	–	–
Total assets	**10,257.0**	**9,701.2**	**9,443.0**	**82.9**	**–**	**–**	**175.3**
Liabilities							
Deposits from banks	908.1	908.1	–	–	–	–	–
Deposits from customers	–	6,439.8	–	–	–	–	–
Debt securities in issue	143.2	143.2	–	–	–	–	–
Derivative financial instruments	8.7	24.9	–	24.9	–	–	–
Provision for liabilities and charges	38.5	41.2	–	–	–	–	–
Accruals and deferred income	38.8	112.3	–	–	–	–	–
Current income tax liability	–	–	–	–	–	–	–
Other liabilities	104.5	680.8	–	–	–	–	–
Insurance contract provisions	525.9	–	–	–	–	–	–
Deferred income tax liability	–	–	–	–	–	–	–
Subordinated liabilities and notes	237.5	237.5	–	–	–	–	–
Liabilities of the disposal group	7,127.2	–	–	–	–	–	–
Total Liabilities	**9,132.4**	**8,587.8**	**–**	**24.9**	**–**	**–**	**–**

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures (continued)

UK LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	February 2023						
	Carrying values as reported in published Financial Statements	Carrying values under Scope of Regulatory Consolidation	Carrying value of items subject to Credit Risk Framework	Carrying value of items subject to Counterparty Credit Risk Framework	Carrying value of items subject to Securitisation Framework	Carrying value of items subject to Market Risk Framework	Carrying value of items not subject to own funds requirements or subject to deduction from own funds
	a	b	c	d	e	f	g
	£m	£m	£m	£m	£m	£m	£m
Assets							
Cash and balances with central banks	461.1	389.0	389.0	–	–	–	–
Loans and advances to banks	26.7	–	–	–	–	–	–
Loans and advances to customers	6,977.7	7,068.3	7,067.9	–	–	–	0.4
Derivative financial instruments	121.4	121.4	–	121.4	–	–	–
Investment Securities	1,467.8	926.3	884.3	86.8	–	–	42.0
Reinsurance contract assets	135.2	–	–	–	–	–	–
Prepayments and accrued income	46.5	47.2	47.2	–	–	–	–
Other assets	103.4	159.0	159.0	–	–	–	–
Current income tax assets	11.7	11.4	11.4	–	–	–	–
Deferred income tax asset	58.8	46.7	46.7	–	–	–	–
Investment in Group undertakings	–	184.1	157.5	–	–	–	26.6
Intangible assets	142.6	108.8	–	–	–	–	108.8
Property, plant and equipment	82.7	79.9	79.9	–	–	–	–
Total assets	**9,635.6**	**9,142.1**	**8,842.9**	**208.2**	**–**	**–**	**177.8**
Liabilities							
Deposits from banks	979.7	979.7	–	–	–	–	–
Deposits from customers	5,769.6	5,769.6	–	–	–	–	–
Debt securities in issue	137.5	137.5	–	–	–	–	–
Derivative financial instruments	16.9	16.9	–	16.9	–	–	–
Provision for liabilities and charges	53.1	40.0	–	–	–	–	–
Accruals and deferred income	85.1	92.0	–	–	–	–	–
Current income tax liability	–	–	–	–	–	–	–
Other liabilities	195.7	205.5	–	–	–	–	–
Insurance funds withheld	–	–	–	–	–	–	–
Insurance contract liabilities	500.6	–	–	–	–	–	–
Deferred income tax liability	–	0.3	–	–	–	–	–
Subordinated liabilities and notes	236.9	236.9	–	–	–	–	–
Total Liabilities	**7,975.1**	**7,478.4**	**–**	**16.9**	**–**	**–**	**–**

Please note February 2023 balances have been restated following the retrospective adoption of IFRS 17 in the current year and following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures (continued)

Restrictions on the Transfer of Own Funds

There are restrictions on the ability of the Company to make distributions of cash or other assets to Tesco Personal Finance Group plc for the following reasons:

- Regulatory capital requirements: As a regulated entity, the Company is subject to requirements to maintain minimum levels of capital, hence restricting the ability to make distributions of cash or other assets to Tesco Personal Finance Group plc; and

- Assets pledged as collateral: These assets are not available for transfer by the Company to Tesco Personal Finance Group plc.

Risk Management

The proposed sale of the Group's Banking business, will change the nature of the Group's business and therefore its risk profile. However, Management remains responsible for the effective running of the regulated Banking business until completion. This section outlines the risk management framework for the Group's entire business, unless otherwise stated.

The Group has a formal structure for reporting, monitoring and managing risks. This comprises, at its highest level, the Group's Risk Appetite, approved by the Board, which is supported by the Risk Management Framework. The Risk Management Framework creates an integrated approach to managing risk. The Framework brings together Governance, Risk Appetite, the Three Lines of Defence model, the Policy Framework and risk management tools to support the business in managing risk as part of day-to-day activity.

The Chief Risk Officer performs a strategic risk management role and is responsible for managing and enhancing the Risk Management Framework. The Chief Risk Officer is independent from any commercial function, reporting directly to the Chief Executive Officer and can only be removed from position with the approval of the Board.

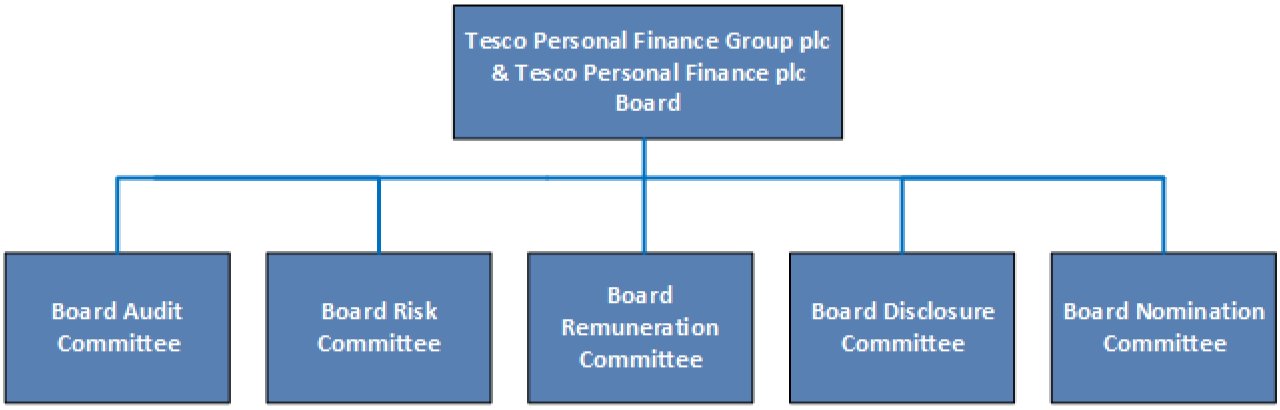
The Group is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and is empowered and qualified to be accountable for them - an approach strengthened by the Senior Managers and Certification Regime (SMCR). The aim of the SMCR is to make relevant individuals accountable for their conduct and competence. The Group embraces a culture where each business area is encouraged to take risk–based decisions, whilst knowing when to escalate or seek advice. The Group promotes a culture where there is no reluctance to escalate bad news or emerging risks.

Governance Structure

The Group has established a governance structure which is appropriate for the business in terms of its level of complexity and risk profile. This structure is reviewed periodically so that it remains suitable to support the business. The governance structure set out in these disclosures describes the structure that was in place as at 29 February 2024. The Group's governance structure will be updated as necessary to provide oversight and challenge to the safe and effective implementation of the separation of the Banking business as required by the terms of the proposed sale.

The Board

The Board has overall responsibility for the management of the business and acts as the main decision-making forum. It sets the Risk Appetite and strategic aims for the business, in some circumstances subject to shareholder agreement, within a control framework which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are appropriate through the reporting provided to it and provides feedback where necessary to make sure that reporting remains fit for purpose. The Board met 8 times during the year ended 29 February 2024. In order to support effective governance and management of the wide range of responsibilities, the Board has established the following five standing committees:



Risk Management (continued)

Board Audit Committee

The role of the Board Audit Committee is to review the Financial Statements, accounting policies and practices for compliance with relevant standards. The Committee examines the arrangements made by management regarding compliance with regulations and standards and reviews the internal control systems for the appropriateness and effectiveness of systems and controls. The Committee also reviews the internal audit programme, oversees the Internal Audit function and considers both the appointment of the external auditors and their independence. The Committee works closely with the Board Risk Committee to avoid as far as possible any overlap or gap in the overall risk and oversight activities of the two committees and carries out such investigations or reviews referred to it by the Board. The Board Audit Committee met 7 times during the year ended 29 February 2024.

Board Risk Committee

The role of the Board Risk Committee is to take a forward-looking view of possible economic trends and risks, informed by analysis of appropriate information, and considers their potential impact on the business. The Committee considers, and recommends to the Board, the Group's Risk Appetite and seeks to ensure that overall business strategy is informed by and remains aligned with it. The Committee reviews and challenges all major risks, controls, actions and events in the business, alerting the Board to any areas of concern. The Board Risk Committee met 3 times during the year ended 29 February 2024.

Board Remuneration Committee

The role of the Board Remuneration Committee is to monitor compliance with regulatory requirements relating to remuneration, specifically the approval and identification of Material Risk Takers (MRTs) and overseeing the establishment and implementation of a remuneration policy for all colleagues within the Group (including specific arrangements for MRTs). The Committee also provides performance and risk assessment in the determination of pay outcomes including the oversight of pay outcomes for MRT colleagues. The Committee seeks to ensure that the levels and structure of remuneration are designed to attract, retain, and motivate the talent needed to run the business in a way which is consistent with the Risk Appetite and ongoing sustainability of the business and is compliant with all applicable legislation, regulation and guidelines. Each year the Board Remuneration Committee assesses its own effectiveness and performance. Every three years this is facilitated externally. An internally facilitated review was carried out in 2023 and confirmed that the Board Remuneration Committee continues to be effective in carrying out its role and responsibilities. The Board Remuneration Committee met 8 times during the year ended 29 February 2024.

Board Disclosure Committee

The Board Disclosure Committee reviews, on behalf of the Board, formal company documents which are either destined for publication or which, due to their size or complexity, are better reviewed in detail in a smaller group to ensure the Group's compliance with relevant statutory and regulatory obligations. The Board Disclosure Committee met 4 times during the year ended 29 February 2024.

Board Nomination Committee

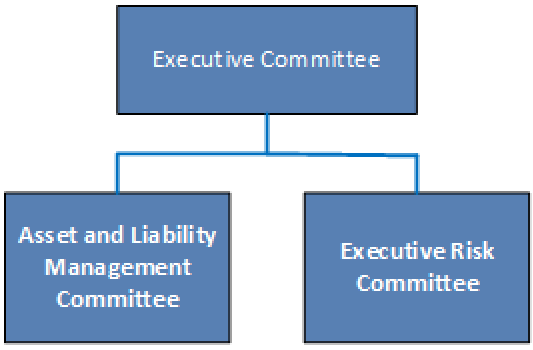
The Board Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations with regard to any changes required, including the nomination of candidates to fill Board vacancies as and when they arise. The Committee considers succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Group, and the skills and expertise needed in the future. The Committee keeps under review the leadership needs of the organisation, both executive and non-executive, with a view to safeguarding the continued ability of the organisation to compete effectively in the marketplace. The Committee is kept up to date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates. The Board Nomination Committee met 3 times during the year ended 29 February 2024.

Risk Management (continued)

The Executive Committee (ExCo)

The Group's Board has delegated the day to day running of the business to the Chief Executive Officer. The Chief Executive Officer has established the ExCo to support delivery against the strategy in an effective and controlled way and to set out a framework of reporting to the Board that is sufficient to enable the Board to fulfil its responsibilities. The ExCo supports the Chief Executive Officer, who has the responsibility for the executive management of the business, by reviewing, challenging and overseeing the performance of the business and critical developing matters in the areas of responsibility of each member. Each ExCo member is accountable to the Chief Executive Officer and to the Board for managing performance in line with the Group's Risk Appetite, Long Term Plan, strategy and annual budget.

In order to support their own decision making, the senior Executives have established the following two sub-committees which report directly to ExCo.



Asset and Liability Management Committee

The Asset and Liability Management Committee (ALCo) has been established to support the Chief Financial Officer by providing oversight and challenge in relation to the optimisation of the Group's balance sheet structure, within Board approved Risk Appetite for Liquidity, Capital and Market Risk. This includes:

- Defining strategic balance sheet structural objectives for liquidity, funding and capital which align with:
  - the Board's stated Risk Appetite;
  - the regulatory obligations of the Group; and
  - the commercial and business objectives set out in the Long Term Plan as approved by the Board.
- Recommending to the Board Risk Committee, or to the Board directly as required, any changes to the amount or composition of the Group's capital base;
- Providing oversight of the continuous compliance with all internal and regulatory limits relating to Liquidity, Capital and Market Risk; and
- Periodic reviews of Treasury policies and key regulatory documents for approval by the Board.

Executive Risk Committee

The Executive Risk Committee (ERC) has been established to support the Chief Risk Officer by providing oversight and challenge in relation to the effective implementation of the Risk Framework across the Group's business. This includes overseeing that the Three Lines of Defence model is operating effectively, the appropriateness of, and adherence to, the Risk Appetite, providing oversight of material risks facing the Group and assessing whether appropriate arrangements are in place to manage and mitigate those risks effectively. In addition, the Committee supports the monitoring of the status of regulatory compliance, considers the impact of regulatory initiatives and upstream regulatory risk on the current and future state of compliance whilst also providing oversight and challenge on Conduct risks and Customer

Risk Management (continued)

Outcomes. The Committee reviews key policies and provides agreement for onward submission to the Board (or Board Committee) for final approval. The minutes are circulated to the ExCo, with any material matters being escalated, as appropriate. The Committee met 6 times during the year ended 29 February 2024.

Risk Appetite

The Group has a defined Risk Appetite which states the type and amount of risk that the Group is prepared to accept to achieve its strategic objectives and which forms a key link between the day-to-day risk management of the business, its objectives, Long Term Plan, capital and funding plans and stress testing. The Risk Appetite consists of the following broad elements:

- Risk Appetite Statements; and
- Risk Appetite Measures

The Risk Appetite is formally reviewed by the Board on at least an annual basis. Tesco PLC also reviews and approves certain aspects of the Financial Risk Appetite. The Board approves the Group's business plans, budget and any material new product lines in line with the approved Risk Appetite and monitors the Group's risk profile and capital adequacy position. (Appendix 6).

Three Lines of Defence

The model is a widely recognised, best practice approach to ensuring that the risks within a financial institution are appropriately managed and are subject to effective oversight and challenge. Clearly defined roles and responsibilities help to drive effective risk management:

Business Areas (First Line)

Senior management within each business area is responsible for managing the risks that arise from the activities in which the business area is engaged in accordance with the Group's Risk Management Framework and policies. The role of the business areas is to:

- Adhere to the Group's Risk Management Framework, policies, standards and processes;
- Identify, assess, own, manage and monitor risks that arise from the activities in which the respective business area is engaged;
- Identify, design, implement, own, check and operate management controls;
- Identify, manage and monitor risk events, including the delivery of remedial actions and performance of root cause analysis;
- Translate Board Risk Appetite into clear, precise articulation of acceptable risks;
- Provide input to reporting on the risk environment in line with risk reporting standards established by the Risk function;
- Perform risk aggregation, analysis and reporting within their business line;
- Maintain appropriate awareness of external and future risk to support effective risk management; and
- Ensure compliance with all relevant regulations and codes.

Risk function (Second Line)

The Risk function operates under the leadership of the Chief Risk Officer. Risk teams reporting to the Chief Risk Officer are resourced by people with expertise in each of the principal risks faced by the Group. This enables appropriate

Risk Management (continued)

analysis, challenge, understanding, oversight and assurance of each of the principal risks. The role of the Risk function is to:

- Own, develop, communicate, implement and provide advice on the Group's Risk Management Framework and policies;
- Provide SME expertise in the management of specific types of risk and regulation, including supporting in the identification and management of risk events and associated remediation activity;
- Provide risk-based oversight of the Business Areas' implementation of, and adherence to the Risk Management Framework and policies;
- Provide risk-based oversight of Business Areas' Risk Management and control, including challenging the completeness of risk identification and assessment. Oversight can take a variety of forms, including active involvement in committees and meetings, analysis of MI and data, and providing an independent perspective on topics of significant interest;
- Maintain and co-ordinate the Risk Appetite submission to the Board and oversee its implementation across the business;
- Design and deliver standards for consistent risk reporting, risk governance and escalation;
- Perform Group-wide risk aggregation and analysis;
- Provide proactive insight and direction on industry, governing body and regulatory developments that will help improve the management of risk in the Group; and
- Deliver and co-ordinate specific regulatory returns.

Internal Audit (Third Line)

This comprises the Internal Audit function, which is responsible for providing independent assurance to the Board and senior management on the adequacy of the design and operational effectiveness of governance, risk management and internal control systems and measures across the First and Second Lines. The Internal Audit function has an independent reporting line to the Chair of the Board Audit Committee and is resourced by individuals with relevant experience and professional qualifications. In addition, Internal Audit resources are supplemented across a range of audits by external support to provide additional subject matter expertise when required.

Independent assessment is provided through the execution of an agreed plan of audits and through attendance at relevant governance committees and through stakeholder management meetings.

Policy Frameworks and supporting risk management tools

The scope of the Risk Management Framework extends to all principal risks which are faced by the Group and is underpinned by governance, controls, processes, systems and policies. The key components used to manage, control and monitor those principal risks effectively are outlined in this document within the relevant risk sections.

i) Policies

The Group has a policy framework in place which requires a Board approved policy for each of the principal risks, unless otherwise agreed by the CRO. Each Board approved policy is owned by a specific individual who is responsible for:

- Developing and maintaining the policy, including gaining approval for the policy at the requisite level;
- Communicating the policy, supporting the implementation of policies ensuring those affected by it have sufficient training/information/understanding to comply;

Risk Management (continued)

- Undertaking suitable oversight to monitor compliance across the business; and
- Reviewing non-compliance of policies through the issues management process.

Each policy must be reviewed on at least a biennial basis, or earlier if there is a trigger for policy review such as a regulatory change, to ensure its continued effectiveness and applicability in line with changing risks. The Risk function provides tracking and oversight of the Policy Framework and is responsible for providing reports to the Board on its effectiveness.

ii) Risk Identification & Assessment

Risk and Control Self-Assessment is the process used to identify, assess, manage, monitor and report risks and controls across the Group.

The process sets out principles which should be consistently applied in the identification of risk. New and emerging risks and the recommended responses to them are reported by business areas and the Risk function to relevant governance bodies.

The risk assessment process is the means by which the Group understands and estimates the effect of risk on the business processes and systems and the controls that mitigate those risks to an acceptable level. These assessments are reported to the Board on a proportionality basis.

The Group monitors and tracks current exposures against limits defined in the agreed Risk Appetite and by the regulators. Exceptions are reported on a monthly basis to the ALCo, ERC, and to each meeting of the Board Risk Committee. Adherence to these limits is independently monitored, measured and reported using a suite of key indicators. Key discussion points from management fora are reported to senior management and relevant committees as appropriate.

iii) Event Management

An Event is an occurrence caused by an internal or external failure which could impact the Group's finances, customers, compliance with regulations, brand and reputation, or resilience of operations. The Event management process provides the tools and techniques to identify, assess and manage events through to closure.

iv) Stress Testing

Stress testing is the process by which the Group's business plans are subjected to severe but plausible scenarios to assess the potential impact on the business, including projected capital and liquidity positions. The scenarios adopted are subject to a rigorous selection process and analysis which includes hypothetical operational failures, macroeconomic stress events and customer behaviour impacts. The results from the scenario analysis and stress testing, along with proposed actions, are reported to ALCo, ERC, Board Risk Committee and the Board. These are captured in both the internal liquidity adequacy assessment process and the internal capital adequacy assessment process.

v) Integrated Risk Processes

The Group's integrated risk processes includes the linking of Risk Appetite to business plans and associated capital and liquidity requirements.

The Group is required to submit internal capital adequacy assessment process reports which set out future business plans, the impact on capital availability, capital requirements and the risks to capital adequacy under stress scenarios, to the PRA.

The Group is also required to submit internal liquidity adequacy assessment process reports which provide a detailed view of how the Group approaches liquidity and funding risk management including the management and control processes that support effective management of these risks, to the PRA.

Risk Management (continued)

The Group also maintains a Recovery Plan that provides a series of recovery options which could be deployed in a severe stress event impacting capital or liquidity positions. The Recovery Plan is reviewed and approved by the Board on at least an annual basis.

Capital

Capital Management

The Board has ultimate responsibility for capital management and capital allocation. Day-to-day responsibility for capital planning and other aspects of capital management is delegated to the Treasury Director. Stress testing and preparation of the internal capital adequacy assessment process is the responsibility of the Chief Financial Officer.

The Group's capital was calculated for prudential regulatory reporting purposes for the year ended 29 February 2024 using the Basel III framework of the Basel Committee on Banking Supervision (BCBS)), as implemented by CRR and CRD and by the PRA Rulebook for the UK banking industry.

IFRS 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018 and is reflected in the Group disclosures. The Group has elected to use the transitional arrangements available under Article 473a of CRR. These arrangements allow the IFRS 9 impact on capital to be phased in over a period of 5 years. On 27 June 2020, due to the Covid-19 pandemic, CRR was further amended to accelerate specific measures and implement a new IFRS 9 transitional relief calculation which applies additional relief to increases in ECL provisions arising as a result of the Covid-19 pandemic. As a result, the IFRS 9 transitional arrangements have been extended by two years and a new modified calculation has been introduced. As such, the values reported throughout this document are on a transitional basis with the fully loaded impact being shown in table IFRS 9-FL at Appendix 4.

The Group undertakes annual internal capital adequacy assessment, capital planning and long term planning processes, which are approved by the Board. The Group's capital plan and management actions seek to ensure that there is an adequate capital base to support the business and its strategic objectives. Regulatory capital headroom, capital adequacy and performance against capital plan are monitored closely with monthly reporting provided to the Board and the ALCo.

The internal capital adequacy assessment process considers all of the known risks faced by the Group, the probability of these risks occurring and how these are mitigated to derive the amount of Pillar 2 capital that is deemed appropriate to hold to absorb losses in a normal environment and in a stress scenario.

The impacts to the Group's Capital planning and Going Concern assessment in relation to the proposed sale of the Group's Banking business are highlighted within the Annual Report & Financial Statements for the year ended 29 February 2024.
https://bank.tescoplc.com/financial-information/accounts-and-disclosures

The PRA in its capacity as supervisor of the UK banking industry sets targets for, and monitors, the capital adequacy of the Group. Capital adequacy returns are submitted on a quarterly basis to the regulator. During the year to 29 February 2024, the Group and Company complied with all capital requirements. The impacts to the Group's Capital relating to the proposed sale of the Group's Banking business are highlighted in the introductory section of these Pillar 3 disclosures and within the Annual Report & Financial Statements for the year ended 29 February 2024.

Total Capital Requirement (TCR)

The regulatory minimum amount of total capital, under Pillar 1 of the regulatory framework, is determined as 8.0% of aggregate risk weighted assets and the Pillar 1 capital requirements referenced in this document are calculated using this regulatory minimum amount.

At least 4.5% of risk weighted assets are required to be covered by Common Equity Tier 1 (CET1) capital and at least 6% of risk weighted assets are required to be covered by Tier 1 capital. These minimum Pillar 1 requirements are supplemented by additional minimum requirements under Pillar 2A of the regulatory framework. The aggregate of Pillar 1 and 2A requirements is referred to as the Group's Total Capital Requirement (TCR).

Capital (continued)

The TCR for the Group as at 29 February 2024 is 9.8% of risk weighted assets plus £68m as a static add-on for pension obligation risk. The PRA requires firms to meet Pillar 2A with at least 56.25% CET1 capital, no more than 43.75% Additional Tier 1 (AT1) capital and no more than 25% Tier 2 capital.

The Group has adopted the Standardised Approach for calculating Pillar 1 minimum capital requirements for Credit Risk, Market Risk and Operational Risk as detailed below. This approach uses standard industry-wide risk weightings, prescribed by the regulator, based on a detailed classification of asset types. It allows banks to use external credit ratings to inform the risk weightings for rated counterparties. Other counterparties are grouped into categories with set risk weightings applied to each.

Capital requirement for Credit Risk (Page 38): Credit Risk is the risk that a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Group will incur losses due to any other counterparty failing to meet their financial obligations. Principal sources of exposures for the Group include loans and advances to individuals, debt securities and undrawn commitments.

Capital requirement for Counterparty Credit Risk (CCR) (Page 54): CCR is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for derivative financial instruments, securities financing transactions and long dated settlement transactions.

The Group currently adopts the Simplified Standardised Approach (sSA-CCR) methodology for CCR.

The CCR framework also includes a Credit Valuation Adjustment (CVA) for the fair value of CCR for derivative transactions. It represents the capital charge for potential losses due to the credit quality deterioration of a counterparty that does not necessarily end with a default. The Group calculates CCR for CVA on derivative transactions, with the exception of those that are centrally cleared with a qualifying central counterparty, using the Standardised Approach.

Capital requirement for Equity (Page 53): all equity exposures are calculated under the Standardised Approach.

Capital requirement for Securitisation and Covered Bond Exposures (Page 56): A separate framework exists for the calculation of risk weighted assets relating to securitisation exposures. The Group has entered into securitisation transactions in which it assigns credit card receivables to a Special Purpose Entity (Delamare Cards Receivables Trustee Ltd). The securitisation transactions executed do not meet the criteria for Significant Risk Transfer, and accordingly the assets securitised are shown as assets of the Group as part of retail credit risk exposures and risk weighted accordingly.

Capital requirement for Operational Risk (Page 65): Operational Risk is the risk of a potential error, loss, harm or failure caused by ineffective or inadequately defined processes, systems failures, improper conduct, human error or from external events. The Group calculates Pillar 1 operational risk capital using the Standardised Approach. The standardised calculation is derived from a percentage of income, averaged over the last three years.

Capital requirement for Market Risk (Page 61): Market Risk is defined as the risk that movements in market prices (such as interest rates and foreign exchange rates) lead to a reduction in either the Bank’s earnings or economic value. The Group has a small amount of foreign exchange risk which is de minimis under Article 351 of the CRR.

Pillar 2 - other principal risks

Pillar 2 covers other principal risks and any associated capital requirements. The other principal risks include Regulatory risk, the impact of the economic environment changes and investment risk relating to pension obligations. These risks are discussed from Page 69 onwards.

Capital (continued)

Own Funds

The following tables present the Group's Own Funds as at 29 February 2024.

Own Funds for the Company, being the main subsidiary, is disclosed in Appendix 5, as required by the CRR.

The following table presents the Group's key metrics at a consolidated level with further detail provided for Capital in UK CC1 template on Page 23 and Leverage Ratio on Page 29. Further information relating to Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) is provided on Page 31 to 36. End point disclosures are included in Appendix 4.

UK KM1: Key metrics (at consolidated group level)

		February 2024	August 2023	February 2023
	Available own funds (amounts)(£m)			
1	Common Equity Tier 1 (CET 1) capital	799.3	1,116.7	1,603.4
2	Tier 1 capital	948.9	1,266.2	1,603.4
3	Total capital	1,141.9	1,459.3	1,796.4
	Risk weighted exposure amounts (£m)			
4	Total risk weighted exposure amounts	7,229.1	7,267.2	7,059.4
	Capital ratios (as a percentage of risk weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	11.1%	15.4%	22.7%
6	Tier 1 ratio (%)	13.1%	17.4%	22.7%
7	Total capital ratio (%)	15.8%	20.1%	25.4%
	Additional own funds requirements based on SREP (as a percentage of risk weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	1.5%	1.5%	1.6%
UK 7b	Additional AT1 SREP requirements (%)	0.5%	0.5%	0.5%
UK 7c	Additional T2 SREP requirements (%)	0.7%	0.7%	0.7%
UK 7d	Total SREP own funds requirements (%)	10.7%	10.7%	10.8%
	Combined buffer requirement (as a percentage of risk weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%
9	Institutions specific countercyclical buffer (%)	2.0%	2.0%	1.0%
11	Combined buffer requirement	4.5%	4.5%	3.5%
UK 11a	Overall capital requirements (%)	15.2%	15.2%	14.3%
12	CET1 available after meeting the total SREP own funds requirements (%)	0.3%	4.6%	12.0%
	Leverage Ratio			
13	Leverage Ratio total exposure measure(£m)	10,158.7	10,264.9	9,904.9
14	Leverage Ratio (%)	9.3%	12.3%	16.2%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	1,291.7	1,190.6	1,182.2
UK 16a	Cash outflows - Total weighted value (£m)	618.6	619.8	656.1
UK 16b	Cash inflows - Total weighted value (£m)	106.9	98.3	94.2
16	Total net cash outflows (adjusted value) (£m)	511.7	521.5	561.9
17	Liquidity coverage ratio (%)	252.4%	228.3%	210.4%
	Net Stable Funding Ratio			
18	Total available stable funding (£m)	8,828.5	8,588.3	8,240.5
19	Total required stable funding (£m)	6,900.5	6,660.4	6,450.3
20	NSFR ratio (%)	127.9%	128.9%	127.8%

Note: LCR and NSFR are disclosed on an average basis.
Please note prior period balances have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

The decrease in available own funds, capital ratios and Leverage Ratio is driven by the accounting impacts of the proposed sale of the Group's Banking business and the payment of a £250.0m special dividend in the year. Further information can be found at the introductory section of this document.

Capital (continued)

The following table provides a breakdown of the constituent elements of the Group's Capital.

UK CC1: Composition of regulatory own funds

	Common Equity Tier 1 Capital: Instruments and Reserves	Notes	UK CC2	February 2024 £m	February 2023 £m
1	Capital instruments and the related share premium accounts			1,070.2	1,220.2
	of which: ordinary share capital		*e,f*	*1,070.2*	*1,220.2*
2	Retained earnings	*i*	*j*	173.1	422.1
3	Accumulated other comprehensive income (and other reserves)		*h*	23.0	20.4
UK 5a	Independently reviewed interim profits net of any foreseeable charge or dividend		*k*	(338.7)	1.0
6	Common Equity Tier 1 capital before regulatory adjustments	*i*		927.6	1,663.7
	Common Equity Tier 1 capital: regulatory adjustments				
7	Additional value adjustments (negative amount)			–	(0.1)
8	Intangible assets (net of related tax liability) (negative amount)		*c*	(19.4)	(108.8)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		*i*	–	(0.1)
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) (negative amount)			(93.2)	(26.6)
22	Amount exceeding the 17.65% threshold (negative amount)			(20.6)	–
23	of which: 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			(13.4)	–
25	of which: deferred tax assets arising from temporary differences			(7.2)	–
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)			4.9	75.3
28	Total regulatory adjustments to Common Equity Tier 1	*ii*		(128.3)	(60.3)
29	Common Equity Tier 1 capital			799.3	1,603.4
	Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts			150.0	–
31	of which: classified as equity under applicable accounting standards			150.0	–
36	Additional Tier 1 (AT1) capital before regulatory adjustments	*iii*		150.0	–
42a	Other regulatory adjustments to AT1 capital			(0.4)	–
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	*iv*		(0.4)	–
44	Additional Tier 1 (AT1) capital		*g*	149.6	–
45	Tier 1 capital (T1 = CET1 + AT1)	*v*		948.9	1,603.4
	Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts		*d*	235.0	235.0
51	Tier 2 capital before regulatory adjustments	*vi*		235.0	235.0
	Tier 2 capital: regulatory adjustments				
55	Direct, indirect and synthetic 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) (negative amount)		*a*	(42.0)	(42.0)
57	Total regulatory adjustments to Tier 2 capital	*vii*		(42.0)	(42.0)
58	Tier 2 capital			193.0	193.0
59	Total capital (Total Capital = Tier 1 + Tier 2)			1,141.9	1,796.4
60	Total Risk exposure amount			7,229.1	7,059.4
	Capital ratios and buffers				
61	Common Equity Tier 1 (as a % of total risk exposure amount)			11.1%	22.7%
62	Tier 1 (as a % of total risk exposure amount)			13.1%	22.7%
63	Total capital (as a % of total risk exposure amount)			15.8%	25.4%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)			10.5%	9.6%
65	of which: capital conservation buffer requirement			2.5%	2.5%
66	of which: countercyclical buffer requirement			2.0%	1.0%
68	Common Equity Tier 1 available to meet buffers (as a % of risk exposure amount)			0.3%	12.0%
	Amounts below the thresholds for deduction (before risk weighting)				
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 17.65% thresholds and net of eligible short positions)		*b*	77.4	157.5
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)			41.7	–

Capital (continued)

Notes for UK CC1: Own Funds disclosure:

Please note prior period balances have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA regulated products have not been fully met.

i) Common Equity Tier 1 Capital (CET1)

Common Equity Tier 1 capital is the highest form of regulatory capital under Basel III that comprises shares issued and related share premium, retained earnings and other reserves net of regulatory adjustments.

On 31 August 2023 the Group reduced its share capital by cancellation of £15.0m of its ordinary shares and a £135.0m partial cancellation of its share premium account following confirmation by the Court of Session in Edinburgh.

The decrease in available Common Equity Tier 1 capital and ratio is driven by the accounting impacts of the proposed sale of the Group's Banking business as well as the inclusion of related foreseeable charges (£36.2m) and the payment of a £250.0m special dividend in the year. Further information can be found at the introductory section of this document.

ii) Regulatory Adjustments to CET1 Capital

The Additional Value Adjustment represents the Prudential Valuation Adjustment required by the CRR which the Group calculates, as 0.1% of Fair Value assets, using the Simplified Approach.

The Intangible Assets deduction relates to computer software and development costs in relation to the Group's continuing operational platforms. In accordance with the requirements of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) the value of Intangible assets in relation to discontinued operations has been written down.

The Fair Value reserves adjustment in relation to gains or losses on Cash Flow Hedges represents those gains or losses made which are not yet realised.

Assessment against regulatory thresholds is completed as part of the CET1 calculation. At February 2024 the 10% and 17.65% thresholds were exceeded. This resulted in additional deductions being taken against CET1 as required.

Regulatory adjustments also include a Capital add-back of £4.9m (2023: £75.7m) relating to the application of transitional arrangements regarding IFRS 9 which allows the impact on capital to be phased in over an extended period. The capital deduction in relation to Non Performing Exposures was revoked in November 2023 leading to a nil value recognised in the current year (2023: £0.4m).

iii) Additional Tier 1 (AT1) Capital

Additional Tier 1 (AT1) capital are capital instruments which are not common equity but are eligible for inclusion as Tier 1.

On 31 August 2023 the Group issued £150.0m of 11.5 per cent fixed rate reset AT1 securities to Tesco PLC which form part of the Group's total equity.

iv) Regulatory Adjustments to AT1 Capital

The regulatory adjustment relates to transaction costs related to equity issuances.

v) Tier 1 Capital

Tier 1 capital is a component of regulatory capital defined by the CRR, comprising CET1 capital and AT1 capital.

During the year the Group reduced CET1 capital and increased AT1 Capital, this resulted in no change to the overall Tier 1 capital.

vi) Tier 2 Capital

Tier 2 capital is a component of regulatory capital comprising qualifying subordinated loan capital.

Capital (continued)

All dated and undated subordinated debt held is issued by the Company to Tesco Personal Finance Group plc which, in turn, has issued similar debt to Tesco PLC.

The undated and dated subordinated debt instruments comply with current CRR requirements. The undated floating rate notes have no fixed maturity date and may not be repaid except under certain conditions such as the winding up of the Company and/or Tesco Personal Finance Group plc. The dated floating rate subordinated loans are repayable, in whole or in part, at the option of the issuer, prior to maturity, on conditions governing the debt obligation. The earliest option call date is 31 March 2025 (contractual maturity 31 March 2030), but the debt may be repaid on any date if a regulatory or legislative change occurs that would result in the instrument no longer being eligible as Tier 2 capital.

Redemption can be in whole, or in part, at par value plus accrued interest. Interest payable is based on 3-month SONIA plus margin of 67 to 227 basis points.

vii) Regulatory Adjustments to Tier 2 Capital

The significant investments deduction represents the Company subordinated loan investment in Tesco Underwriting Ltd.

viii) Capital Instruments - Main features

CRR Article 437 requires disclosure of the key features of the Group's capital instruments (Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments). The full disclosures are shown in Appendix 8 and include for each instrument:

- the governing law of the instruments;
- the instrument type, issue dates, nominal amounts, accounting classification and call option dates; and
- write-down features and sub-ordination for each instrument.

Capital Requirements

The following table shows the overall Pillar 1 minimum capital requirements and risk weighted assets for the Group under the Standardised Approach. The Company, being the main subsidiary is also disclosed in Appendix 5.

UK OV1: Overview of risk weighted exposure amounts

		February 2024 Risk weighted exposure amounts (RWEAs) £m	February 2023 Risk weighted exposure amounts (RWEAs) £m	February 2024 Total own funds requirements £m
1	**Credit Risk (excluding CCR)**	**5,901.9**	**5,612.7**	**472.2**
2	Of which Standardised Approach (SA)	5,901.9	5,612.7	472.2
6	**Counterparty credit risk - CCR**	**0.7**	**3.1**	**–**
7	Of which the standardised approach	–	–	–
8	Of which internal model method (IMM)	–	–	–
UK 8a	Of which exposures to a CCP	0.4	0.3	–
UK 8b	Of which CVA	0.2	0.1	–
9	Of which other CCR	0.1	2.7	–
23	**Operational Risk**	**1,029.1**	**968.8**	**82.3**
UK 23b	Of which Standardised Approach (SA)	1,029.1	968.8	82.3
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**297.4**	**474.8**	**23.8**
29	**Total**	**7,229.1**	**7,059.4**	**578.3**

Notes for UK OV1:

Pillar 1 capital does not include foreign exchange exposure as this is de minimis under the CRR and includes Credit Valuation Adjustment risk which is required in line with CRR.

Capital (continued)

There is no capital requirement for Settlement Risk as the Group had no unsettled exposure at year end. Settlement Risk is the risk that a counterparty fails to deliver a security or its value in cash in accordance with contractual agreements after the other counterparty has already delivered a security or cash value in accordance with the same agreement.

Countercyclical Capital Buffer

The countercyclical capital buffer aims to ensure that banking sector capital requirements take account of the macro-economic environment in which banks operate. Its primary objective is to set a buffer of capital to achieve the broader macro prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. The buffer can be utilised to absorb losses during stressed periods.

The countercyclical capital buffer is calculated as the weighted average of the buffers in effect in the jurisdictions to which banks have a relevant credit exposure.

The Financial Policy Committee (FPC) of the Bank of England is responsible for setting the UK countercyclical capital buffer rate (CCyB) i.e. the rate that applies to relevant exposures of UK banks, building societies and large investment firms incorporated in the UK. The FPC must give 12 months' notice of any rate increase.

The UK CCyB increased from 1% to 2% on 5th July 2023 in line with the FPC decision at its meeting in July 2022. Following its meeting in March 2024, the FPC is maintaining the UK countercyclical capital buffer (CCyB) rate at its neutral setting of 2%. The FPC will continue to monitor developments closely and stands ready to vary the UK CCyB rate, in either direction, in line with the evolution of economic and financial conditions, underlying vulnerabilities, and the overall risk environment. The Group remains subject to the UK CCyB rate until its Banking permissions are removed by the PRA following completion of the proposed sale of its Banking business.

The countercyclical capital buffer consists entirely of Common Equity Tier 1 capital and, if the minimum buffer requirements are breached, capital distribution constraints will be imposed on the Group.

Capital (continued)

The Group's Countercyclical Capital Buffer Disclosure

The Group's relevant non-UK exposures as at 29 February 2024 equate to 0.18% of total relevant exposures. As permitted by the Regulatory Technical Standard, the Group has chosen to simplify the identification of exposures to non-UK entities and allocate them to the place of the institution (UK) on the basis that the Group's relevant non-UK exposures are less than 2% of the aggregate of credit, trading and securitisation exposures. The countercyclical buffer rates of other jurisdictions therefore have no impact on the Group's capital requirement. The following tables disclose information relevant for the calculation of the countercyclical capital buffer as at 29 February 2024 in accordance with Commission delegated regulation (EU) 1152/2014.

UK CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Level of Application: Consolidated

February 2024

		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposure		Own funds requirements						
		Exposure value under the Standardised Approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
		a	b	c	d	e	f	g	h	i	j	k	l	m
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			
010	Breakdown by country:													
	UK	8,202.7	–	–	–	–	8,202.7	485.4	–	–	485.4	6,067.6	1.0	2.0%
020	**Total**	**8,202.7**	**–**	**–**	**–**	**–**	**8,202.7**	**485.4**	**–**	**–**	**485.4**	**6,067.6**	**1.0**	

February 2023

		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposure		Own funds requirements						
		Exposure value under the Standardised Approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
		a	b	c	d	e	f	g	h	i	j	k	l	m
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			
010	Breakdown by country:													
	UK	7,912.0	–	–	–	–	7,912.0	479.5	–	–	479.5	5,993.6	1.0	1.0%
020	**Total**	**7,912.0**	**–**	**–**	**–**	**–**	**7,912.0**	**479.5**	**–**	**–**	**479.5**	**5,993.6**	**1.0**	

UK CCyB2: Amount of institution specific countercyclical capital buffer

		February 2024	February 2023
		010	010
010	Total risk exposure amount (£m)	7,229.1	7,059.4
020	Institution specific countercyclical capital buffer rate	2.0%	1.0%
030	Institution specific countercyclical capital buffer requirement (£m)	144.6	70.6

Capital (continued)

Capital Conservation Buffer

The capital conservation buffer is a general buffer of risk weighted assets designed to provide for losses in the event of stress. The rate has been maintained at 2.5%.

Constraints on capital buffers

Both the countercyclical buffer and capital conservation buffer may be subject to constraints under certain conditions. The constraints which may be imposed relate only to capital distributions and limits on certain remuneration. The Group is not subject to any constraints.

Leverage Ratio

The Leverage Ratio was introduced under the Basel III reforms as a simple, transparent, non-risk-based ratio intended to restrict the build-up of leverage in the banking sector to avoid distressed de-leveraging processes that can damage the broader financial system and the economy.

The Leverage Ratio is defined as the ratio of Tier 1 capital to the total Leverage Ratio exposures excluding claims on central banks and applies an equal weighting to all assets regardless of their risk.

At present the Group is not subject to the minimum Tier 1 leverage ratio requirement of 3.25% as it is currently exempt from the UK Leverage Framework Regime, which only applies to LREQ firms with retail deposit levels equal to or greater than £50 billion. Although the Group does not meet the LREQ definitions, as a regulated firm, the PRA has stated that it still expects the Group to maintain a minimum leverage ratio of 3.25%.

Description of the processes used to manage the risk of excessive leverage:

The Leverage Ratio is embedded as part of the Group's capital planning process and is considered in line with Common Equity Tier 1 capital and risk-based asset ratios as part of the Long Term Plan. The Treasury Committee continues to monitor the performance of the Leverage Ratio against the Long Term Plan on a monthly basis. Management actions are recommended to the ALCo to prevent the Group from being excessively leveraged and to seek to ensure that capital ratios remain in excess of minimum capital requirements in normal circumstances and in periods of stress.

Description of the factors that had an impact on the Leverage Ratio during the period to which the disclosed Leverage Ratio refers:

The Group's Leverage Ratio excluding claims on central banks has decreased to 9.3% as at 29 February 2024 (2023: 16.4%), driven by the reduction in capital due to recognition of losses relating to the proposed sale of the Group's Banking business. The Group's Leverage Ratio including claims on central banks is 8.8%.

The Group's Leverage Ratio Disclosure

The following Leverage Ratio disclosures for the year ended 29 February 2024 are laid out in accordance with the requirements of the Disclosure (CRR) Part of the PRA Rulebook.

The Leverage Ratio disclosures of the Company are reported within Appendix 5.

UK LRSum: Summary reconciliation of accounting assets and Leverage Ratio exposures

		February 2024 Applicable Amounts £m	February 2023 Applicable Amounts £m
1	Total assets as per published financial statements	10,257.0	9,635.6
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(534.1)	(482.9)
4	(Adjustment for exemption of exposures to central banks)	(633.4)	(307.9)
8	Adjustment for derivative financial instruments	(65.6)	(107.7)
9	Adjustments for securities financing transactions "SFTs"	–	17.4
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,285.0	1,221.2
12	Other adjustments	(150.2)	(70.8)
13	**Total exposure measure**	**10,158.7**	**9,904.9**

Please note balances for February 2023 have been restated following the retrospective adoption of IFRS 17 in the current year and following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Leverage Ratio (continued)

UK LRCom: Leverage Ratio common disclosure

		February 2024 CRR Leverage Ratio exposures £m	February 2023 CRR Leverage Ratio exposures £m
On-balance sheet exposures (excluding derivatives and securities financing transactions "SFT"s)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	9,618.3	9,020.8
6	Asset amounts deducted in determining Tier 1 capital	(128.3)	(60.3)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**9,490.0**	**8,960.5**
Derivative exposures			
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	–	0.3
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	17.1	13.4
	Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
13	**Total derivative exposures**	**17.1**	**13.7**
Securities financing transaction exposures			
16	Counterparty Credit Risk exposure for SFT assets	–	–
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	–	17.4
18	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**–**	**17.4**
Other off-balance sheet exposures			
19	Other off-balance sheet exposures at gross notional amount	12,849.5	12,212.0
20	Adjustments for conversion to credit equivalent amounts	(11,564.5)	(10,990.8)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**1,285.0**	**1,221.2**
Capital and total exposures			
23	**Tier 1 capital (leverage)**	**948.9**	**1,603.4**
24	Total exposure measure including claims on central banks	**10,792.1**	**10,212.8**
UK-24a	(-) Claims on central banks excluded	**(633.4)**	**(307.9)**
UK-24b	**Total exposure measure excluding claims on central banks**	**10,158.7**	**9,904.9**
Leverage Ratio			
25	Leverage ratio excluding claims on central banks (%)	**9.3%**	**16.2%**
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**9.3%**	**15.5%**
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	**9.3%**	**16.2%**
UK-25c	Leverage ratio including claims on central banks (%)	**8.8%**	**15.7%**

Please note balances for February 2023 have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

UK LRSpl: Leverage Ratio: Split-up of on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures)

		February 2024 Leverage Ratio exposures £m	February 2023 Leverage Ratio exposures £m
UK-1	Total on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures), of which:	9,618.3	9,020.8
UK-3	Banking book exposures, of which:	9,618.3	9,020.8
UK-4	Covered bonds	423.1	374.8
UK-5	Exposures treated as sovereigns	1,165.8	936.6
UK-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0.7	2.3
UK-7	Institutions	88.0	94.4
UK-9	Retail exposures	7,343.1	7,048.9
UK-10	Corporates	36.2	35.1
UK-11	Exposures in default	82.8	91.7
UK-12	Other exposures (e.g. equity, securitisation, and other non-credit obligation assets)	478.6	437.0

Please note balances for February 2023 have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Liquidity and Funding Risk

Liquidity and Funding Risk Management

Liquidity Risk is the risk that the Group is not able to meet its obligations as they fall due. This includes the risk that a given security cannot be traded quickly enough in the market to prevent a loss if a credit rating falls. Funding Risk is the risk that the Group does not have sufficiently stable and diverse sources of funding.

The Group operates within a Liquidity and Funding Control Framework designed to ensure that sufficient funds are available at all times to meet demands from depositors; to fund agreed advances; to meet other commitments as and when they fall due; and to ensure the Board's Risk Appetite is adhered to.

The Treasury Director reports directly to the Chief Financial Officer and together they are responsible for managing the allocation and maintenance of the Group's capital, funding and liquidity. This includes the ownership of the Liquidity and Funding Risk Management Policy (LFRMP) which sets the parameters and processes within which liquidity and funding are managed within the stated Risk Appetite.

The proposed sale of the Group's Banking business is not expected to have a material impact on the Group's liquidity and funding positions in the period up to completion, with the liquidity position forecast to remain in excess of internal and regulatory requirements.

Risk Appetite Statement

The Board's Risk Appetite is to maintain an adequate liquidity profile under normal and stressed conditions and a balance sheet structure that limits reliance on potentially unstable sources of funding. This is supported by a range of metrics, limits and triggers that are continuously monitored and regularly reported to the Board.

Risk Appetite Measures

The Group sets formal limits within the LFRMP to maintain liquidity risk exposures within the Liquidity and Funding Risk Appetite set by the Board. The key funding and liquidity measures monitored on a daily basis are:

- the internal liquidity requirement;
- the total liquidity requirement;
- the net stable funding ratio;
- minimum eligible collateral floor;
- the asset encumbrance ratio; and
- unencumbered assets to retail liabilities ratio.

The Group measures and manages liquidity in line with the above metrics and maintains a funding and liquidity profile to enable it to meet its financial obligations under normal, and stressed, market conditions.

The internal liquidity requirement seeks to ensure that the Group maintains adequate liquid assets to survive a defined stress scenario for a sufficient period as defined by Risk Appetite. The total liquidity requirement (TLR) requires the Group to maintain a portfolio of high-quality liquid assets sufficient to meet Pillar 1 and Pillar 2 liquidity requirements during periods of market dislocation and stress over a 30-day period. The TLR encompasses the regulatory Liquidity Coverage Ratio (LCR) and any Pillar 2 add-on prescribed by the PRA.

Liquidity and Funding Risk (continued)

Controls and risk mitigants

Liquidity & Funding Risk is assessed through the internal liquidity adequacy assessment process on at least an annual basis. This process involves detailed consideration of the following:

- identification of sources of Liquidity Risk;
- quantification of those risks through stress testing;
- consideration of management processes and controls to manage the risk;
- assessment of the type and quality of liquid asset holdings required to mitigate the risk; and
- consideration of the levels of contingent funding required to mitigate the risk.

The Group monitors and reports on the composition of its funding base against defined thresholds to avoid funding source and maturity concentration risks.

The Group prepares both short term and long term forecasts to assess liquidity requirements and considers factors such as credit card payment cycles, expected utilisation of undrawn credit limits, investment maturities, customer deposit patterns, and wholesale funding (including Term Funding Scheme with additional incentives for SMEs (TFSME)) maturities. These reports support daily liquidity management and are reviewed on a daily basis by senior management along with early warning indicators.

Stress testing of current and forecast financial positions is conducted to inform the Group of required liquidity resources. Reverse stress testing is conducted to inform the Group of the circumstances that would result in liquidity resources being exhausted. Liquidity stress tests are presented to the Treasury Committee and the ALCo on a regular basis to provide evidence that sufficient liquidity is held to meet financial obligations in a stress.

The Treasury Director is responsible for formulating and obtaining Board approval for an annual funding plan as part of the overall business planning process. The Group is predominantly funded by its retail deposit base which reduces reliance on wholesale funding and results in minimal short term wholesale funding. A significant part of these retail deposits are repayable on demand on a contractual basis. The Group continuously monitors retail deposit activity so that it can reasonably predict expected maturity flows. These instruments form a stable funding base for the Group's operations because of the broad customer base and the behaviours exhibited.

The Group's contingency funding plans form part of a wider Recovery Plan which provides the framework and arrangements the Bank would deploy if it was exposed to severe stress.

The Recovery Plan sets out three categories of contingent funding available to the Bank to enable it to manage a liquidity stress: primary liquidity sources which generate cash at little or no cost such as HQLA sale or repo; secondary sources which have a longer lead-time including retail and wholesale funding; and emergency sources (measures of last resort) including access to the Discount Window Facility and other Bank of England facilities. These arrangements are tested as part of the overall Recovery Plan fire drill exercises required prior to each submission to the PRA.

Liquidity Risk Metrics - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

On a spot basis, the Group's LCR is 261.1% (2023: 277.3%) and the Group's NSFR is 127.8%m (2023: 128.5%). Values and ratios reported in Tables UK LIQ 1 and UK LIQ 2 are reported on an average basis in line with the reporting requirements as outlined in the CRR.

The decrease in LCR has been driven by an increase in the Bank of England Reserve balance within the Liquid Asset Buffer. This has been offset by an increase in retail savings outflows and unused credit card facilities affecting the ratio negatively.

Liquidity and Funding Risk (continued)

The decrease in the NSFR is mostly driven by retail balances, primarily an increase in loans and advances to customers, increasing required stable funding. Available stable funding also increased due to higher customer deposits and external securitisations however this was offset by a decrease in equity due to the accounting impacts of the proposed sale of the Group's Banking business recognised in the year.

The Group's liquidity comprises extremely high and high-quality sterling liquid assets with retail deposits remaining the main funding source. The Group has minimal currency mismatch in LCR and low risk of potential collateral calls since most derivatives are centrally cleared and are covered by initial and variation margin.

Table LIQ 1 shows a breakdown of the cash outflows and inflows, as well as available high-quality liquid assets (HQLA), as measured and defined according to the LCR standard.   Table LIQ 2 provides a breakdown of Available and Required Stable Funding Items along with the resulting Net Stable Funding Ratio.

Liquidity and Funding Risk (continued)

UK LIQ1: Quantitative information of LCR

		2024									
		Total unweighted value (average) £m					Total weighted value (average) £m				
UK 1a	Quarter ending on (DD Month YYYY)	**At 29 Feb 2024**	**At 31 Dec 2023**	**At 30 Sep 2023**	**At 30 June 2023**	**At 31 March 2023**	**At 29 Feb 2024**	**At 31 Dec 2023**	**At 30 Sep 2023**	**At 30 June 2023**	**At 31 March 2023**
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12	12	12
High-Quality Liquid Assets											
1	Total high-quality liquid assets (HQLA)						1,291.7	1,245.6	1,205.4	1,166.5	1,158.8
Cash Outflows											
2	**Retail deposits and deposits from small business customers, of which:**	**3,345.7**	**3,332.2**	**3,385.4**	**3,481.8**	**3,585.9**	**333.0**	**325.1**	**323.1**	**324.9**	**325.8**
3	Stable deposits	1,668.1	1,712.5	1,809.0	1,936.2	2,081.2	83.4	85.6	90.5	96.8	104.1
4	Less stable deposits	1,652.0	1,597.2	1,557.0	1,529.0	1,491.6	224.0	217.0	213.3	211.6	208.6
5	**Unsecured wholesale funding:**	**1.6**	**5.8**	**5.5**	**5.4**	**5.4**	**1.6**	**1.3**	**1.0**	**0.9**	**0.8**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–	–	–
7	Non-operational deposits (all counterparties)	–	4.5	4.5	4.5	4.5	–	–	–	–	–
8	Unsecured debt	1.6	1.3	1.0	0.9	0.9	1.6	1.3	1.0	0.9	0.8
9	**Secured wholesale funding**						**6.4**	**–**	**–**	**–**	**12.5**
10	**Additional requirements**	**39.3**	**39.3**	**39.4**	**35.1**	**26.9**	**39.3**	**39.3**	**39.4**	**35.1**	**26.9**
11	Outflows related to derivative exposures and other collateral requirements	39.3	39.3	39.4	35.1	26.9	39.3	39.3	39.4	35.1	26.9
12	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–	–	–
13	Credit and liquidity facilities	–	–	–	–	–	–	–	–	–	–
14	**Other contractual funding obligations**	**57.2**	**55.7**	**55.9**	**34.3**	**33.1**	**20.8**	**25.4**	**25.4**	**4.5**	**5.0**
15	**Other contingent funding obligations**	**12,499.3**	**12,396.3**	**12,298.2**	**12,216.7**	**12,195.3**	**217.5**	**215.7**	**223.3**	**249.2**	**276.3**
16	**TOTAL CASH OUTFLOWS**						**618.6**	**606.8**	**612.2**	**614.6**	**647.3**
Cash Inflows											
17	**Secured lending (e.g. reverse repos)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
18	**Inflows from fully performing exposures**	**206.1**	**201.7**	**195.5**	**190.1**	**186.5**	**104.0**	**101.5**	**98.3**	**95.3**	**93.3**
19	Other cash flows	2.9	2.1	1.4	1.0	0.7	2.9	2.1	1.4	1.0	0.7
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)						–	–	–	–	–
UK-19b	(Excess inflows from a related specialised credit institution)						–	–	–	–	–
20	**TOTAL CASH INFLOWS**	**209.0**	**203.8**	**196.9**	**191.1**	**187.2**	**106.9**	**103.6**	**99.7**	**96.3**	**94.0**
UK-20a	***Fully exempt flows***	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
UK-20b	***Inflows subject to 90% cap***	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
UK-20c	***Inflows subject to 75% cap***	***209.0***	***203.8***	***196.9***	***191.1***	***187.2***	***106.9***	***103.6***	***99.7***	***96.3***	***94.0***
							Total adjusted value				
UK-21	**Liquidity buffer**						**1,291.7**	**1,245.6**	**1,205.4**	**1,166.5**	**1,158.8**
22	**Total net cash outflows**						**511.7**	**503.2**	**512.5**	**518.3**	**553.3**
23	**Liquidity Coverage Ratio (%)**						**252.4%**	**247.5%**	**235.2%**	**225.1%**	**209.4%**

Liquidity and Funding Risk (continued)

		2023									
		Total unweighted value (average) £m					**Total weighted value (average) £m**				
UK 1a	Quarter ending on (DD Month YYYY)	**At 28 Feb 2023**	**At 31 Dec 2022**	**At 30 Sep 2022**	**At 30 June 2022**	**At 31 March 2022**	**At 28 Feb 2023**	**At 31 Dec 2022**	**At 30 Sep 2022**	**At 30 June 2022**	**At 31 March 2022**
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12	12	12
High-Quality Liquid Assets											
1	Total high-quality liquid assets (HQLA)						1,182.2	1,250.3	1,279.6	1,311.8	1,316.2
	Cash Outflows										
2	**Retail deposits and deposits from small business customers, of which:**	**3,630.5**	**3,706.1**	**3,734.2**	**3,716.4**	**3,727.8**	**327.9**	**330.3**	**328.3**	**311.1**	**306.2**
3	Stable deposits	2,134.5	2,237.8	2,379.9	2,543.9	2,673.1	106.7	111.9	119.0	127.2	133.7
4	Less stable deposits	1,483.1	1,455.8	1,334.6	1,151.7	1,027.7	208.3	205.8	189.6	163.2	145.5
5	**Unsecured wholesale funding:**	**5.4**	**0.8**	**1.0**	**0.9**	**0.9**	**0.8**	**0.8**	**1.0**	**0.9**	**0.9**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–	–	–
7	Non-operational deposits (all counterparties)	4.6	–	–	–	–	–	–	–	–	–
8	Unsecured debt	0.8	0.8	1.0	0.9	0.9	0.8	0.8	1.0	0.9	0.9
9	**Secured wholesale funding**						**12.5**	**12.5**	**12.5**	**12.5**	**–**
10	**Additional requirements**	**24.4**	**19.3**	**12.0**	**10.0**	**13.6**	**24.4**	**19.3**	**12.0**	**10.0**	**13.6**
11	Outflows related to derivative exposures and other collateral requirements	24.4	19.3	12.0	10.0	13.6	24.4	19.3	12.0	10.0	13.6
12	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–	–	–
13	Credit and liquidity facilities	–	–	–	–	–	–	–	–	–	–
14	**Other contractual funding obligations**	**33.6**	**40.3**	**39.8**	**41.0**	**49.5**	**5.0**	**7.7**	**7.7**	**9.3**	**19.2**
15	**Other contingent funding obligations**	**12,195.5**	**12,216.9**	**12,186.8**	**12,247.2**	**12,332.9**	**285.5**	**304.3**	**321.8**	**323.6**	**326.0**
16	**TOTAL CASH OUTFLOWS**						**656.1**	**674.9**	**683.3**	**667.4**	**665.9**
	Cash Inflows										
17	**Secured lending (e.g. reverse repos)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
18	**Inflows from fully performing exposures**	**187.0**	**185.8**	**184.0**	**184.4**	**185.2**	**93.6**	**93.0**	**92.1**	**92.3**	**92.7**
19	Other cash flows	0.6	0.5	0.4	0.3	0.2	0.6	0.5	0.4	0.3	0.2
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)						–	–	–	–	–
UK-19b	(Excess inflows from a related specialised credit institution)						–	–	–	–	–
20	**TOTAL CASH INFLOWS**	**187.6**	**186.3**	**184.4**	**184.7**	**185.4**	**94.2**	**93.5**	**92.5**	**92.6**	**92.9**
UK-20a	***Fully exempt flows***	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
UK-20b	***Inflows subject to 90% cap***	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
UK-20c	***Inflows subject to 75% cap***	***187.6***	***186.3***	***184.4***	***184.7***	***185.4***	***94.2***	***93.5***	***92.5***	***92.6***	***92.9***
							Total adjusted value				
UK-21	**Liquidity buffer**						**1,182.2**	**1,250.3**	**1,279.6**	**1,311.8**	**1,316.2**
22	**Total net cash outflows**						**561.9**	**581.4**	**590.8**	**574.8**	**573.0**
23	**Liquidity Coverage Ratio (%)**						**210.4%**	**215.0%**	**216.6%**	**228.2%**	**229.7%**

Liquidity and Funding Risk (continued)

UK LIQ2: Net Stable Funding Ratio

		February 2024				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to <1 yr	≥ 1 yr	
		a	b	c	d	e
		£m	£m	£m	£m	£m
Available stable funding (ASF) items						
1	Capital items and instruments	–	–	–	1,650.7	1,650.7
2	*Own funds*	–	–	–	*1,650.7*	*1,650.7*
3	*Other capital instruments*		–	–	–	–
4	Retail deposits		4,318.3	1,088.0	834.7	5,782.8
5	*Stable deposits*		*1,649.8*	–	*834.7*	*2,402.0*
6	*Less stable deposits*		*2,668.5*	*1,088.0*	–	*3,380.8*
7	Wholesale funding:		82.5	94.9	1,323.1	1,370.6
8	*Operational deposits*		–	–	–	–
9	*Other wholesale funding*		*82.5*	*94.9*	*1,323.1*	*1,370.6*
10	Interdependent liabilities		–	–	–	–
11	Other liabilities:	5.4	186.7	4.8	22.0	24.4
12	*NSFR derivative liabilities*	*5.4*				
13	*All other liabilities and capital instruments not included in the above categories*		*186.7*	*4.8*	*22.0*	*24.4*
14	**Total available stable funding (ASF)**					**8,828.5**
Required stable funding (RSF) items						
15	Total high-quality liquid assets (HQLA)					26.2
UK-15a	Assets encumbered for more than 12m in cover pool		–	–	–	–
16	Deposits held at other financial institutions for operational purposes		–	–	–	–
17	Performing loans and securities:		–	–	–	–
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		*1,065.9*	*868.3*	*5,600.0*	*5,997.5*
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*46.1*	–	–	*4.6*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*1,013.4*	*868.3*	*5,599.0*	*5,988.8*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		–	–	–	–
22	*Performing residential mortgages, of which:*		–	–	–	–
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		–	–	–	–
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*6.4*	–	*1.0*	*4.1*
25	Interdependent assets		–	–	–	–
26	Other assets:		267.8	14.5	498.1	659.4
27	*Physical traded commodities*				–	–
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		–	–	*32.5*	*27.6*
29	*NSFR derivative assets*		–	–	–	–
30	*NSFR derivative liabilities before deduction of variation margin posted*		*18.7*	–	–	*0.9*
31	*All other assets not included in the above categories*		*249.1*	*14.5*	*465.6*	*630.9*
32	Off-balance sheet items		12,494.1	–	–	217.4
33	**Total RSF**					**6,900.5**
34	**Net Stable Funding Ratio (%)**					**127.9%**

Liquidity and Funding Risk (continued)

		February 2023				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to <1 yr	≥ 1 yr	
		a	**b**	**c**	**d**	**e**
		£m	**£m**	**£m**	**£m**	**£m**
Available stable funding (ASF) items						
1	Capital items and instruments	–	–	–	1,884.2	1,884.2
2	*Own funds*	–	–	–	*1,844.2*	*1,884.2*
3	*Other capital instruments*		–	–	–	–
4	Retail deposits		4,179.9	591.3	840.6	5,238.5
5	*Stable deposits*		*2,076.1*	–	*840.6*	*2,812.9*
6	*Less stable deposits*		*2,103.8*	*591.3*	–	*2,425.6*
7	Wholesale funding:		71.4	–	1,087.0	1,087.0
8	*Operational deposits*		–	–	–	–
9	*Other wholesale funding*		*71.4*	–	*1,087.0*	*1,087.0*
10	Interdependent liabilities		–	–	–	–
11	Other liabilities:	0.9	193.2	9.2	26.2	30.8
12	*NSFR derivative liabilities*	*0.9*				
13	*All other liabilities and capital instruments not included in the above categories*		*193.2*	*9.2*	*26.2*	*30.8*
14	**Total available stable funding (ASF)**					**8,240.5**
Required stable funding (RSF) items						
15	Total high-quality liquid assets (HQLA)					23.9
UK-15a	Assets encumbered for more than 12m in cover pool		–	–	–	–
16	Deposits held at other financial institutions for operational purposes		–	–	–	–
17	Performing loans and securities:		993.7	825.5	5,087.8	5,467.0
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		–	–	–	–
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*47.4*	–	–	*4.7*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*944.9*	*825.5*	*5,086.6*	*5,460.6*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		–	–	–	–
22	*Performing residential mortgages, of which:*		–	–	–	–
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		–	–	–	–
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*1.4*	–	*1.2*	*1.7*
25	Interdependent assets		–	–	–	–
26	Other assets:		245.0	16.3	544.7	693.0
27	*Physical traded commodities*				–	–
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		–	–	*32.0*	*27.2*
29	*NSFR derivative assets*		*0.8*	–	–	*0.8*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*17.4*	–	–	*0.9*
31	*All other assets not included in the above categories*		*226.8*	*16.3*	*512.7*	*664.1*
32	Off-balance sheet items		12,163.7	–	–	266.4
33	**Total RSF**					**6,450.3**
34	**Net Stable Funding Ratio (%)**					**127.8%**

Please note balances for February 2023 have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Credit Risk

Credit Risk is the risk that a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Group will incur losses due to any other counterparty failing to meet their financial obligations. The Group's aim in relation to Credit Risk is to lend responsibly, ensuring that the Credit Risk profile remains within agreed parameters as articulated in the Risk Appetite.

All lending is subject to underwriting processes and the performance of all exposures is monitored closely. Regular management reports are submitted to the Board and appropriate Committees.

Credit Risk within the Group arises primarily from retail lending activities that form part of the proposed sale of the Group's Banking business. To a lesser extent Credit Risk also arises from placement of surplus funds with other banks, investments in transferable securities and interest rate and foreign exchange derivatives. Credit Risk can also arise from contractual arrangements with third-parties where payments and commissions are owed to the Group for short periods of time or when an adverse change in an entity's credit rating causes a fall in the fair value of the Group's holding of that entity's financial instrument. Linked to the proposed sale of the Group's Banking business, the Group expects to sell its portfolio of investment securities held at amortised cost.

The development, management, execution and monitoring of Credit Risk management strategy is performed within the Credit Risk team and is the responsibility of the Director, Banking Risk. This work is underpinned by the credit policy and oversight which are owned by the Risk function and is the responsibility of the Chief Risk Officer.

The Group maintains a suite of policies defining the minimum requirements for the management of credit activities, including the Credit Risk policy, Wholesale Credit Risk policy, Model Risk policy, Financial Difficulties policy, and Provisioning policy. All Credit Risk policies are subject to at least a biennial review, or earlier if there is a trigger for policy review such as a regulatory change with the Level 1 Credit Risk policy being approved by the Board.

Credit Risk policies are supported by a range of processes and procedures that cover the activities undertaken throughout the credit life cycle. Management information is produced for different audiences within the governance framework to allow monitoring of policy compliance. The Risk Appetite Measures are important, with supporting limits and tolerances that allow the Group to track performance. Trends are also identified that could act as an early warning that performance may move outside Risk Appetite in the future.

Retail Credit Risk

Retail Credit Risk is the risk that a borrower, who is a personal customer, will default on a debt or obligation by failing to make contractually obligated payments.

Risk Appetite Statement

The Group has set a Risk Appetite based on the bad debt to asset ratio and profit volatility triggers and limits.

Credit Risk (continued)

Risk Appetite Measures

Management information is produced covering all lending portfolios which is tailored to meet the requirements of different audiences within the overall governance framework. Risk Appetite Measures with supporting limits and tolerances allow the Group to track performance against Risk Appetite and identify any emerging trends that could act as an early warning that performance could move outside approved Risk Appetite thresholds, thereby allowing mitigating actions to be taken to address such trends. Risk Appetite Measures include:

- Statutory Profit/Loss under a severe but plausible stress scenario (Profit Volatility);
- Bad Debt to Asset Ratio; and
- Higher risk concentrations and demographics.

Controls and risk mitigants

To minimise the potential for the Group to be exposed to levels of defaults that are outside Risk Appetite, processes, systems and limits have been established that cover the end-to-end Retail Credit Risk customer life cycle, the key components of which are outlined below:

Credit scoring: The quality of new lending is controlled using appropriate credit scoring and associated rules. Judgemental analysis is used for more complex cases.

Affordability: The Group aims to be a responsible lender, and accordingly employs affordability models, including minimum free income thresholds based on customers' income and outgoings to confirm that they can repay the advances they are seeking.

Credit policies and guides: A suite of Retail Credit Risk policies and supporting guides are maintained by the Credit Risk function. These policies define the minimum requirements for the management of credit activities across the credit life cycle. The guides also comprise specific product and customer related thresholds that in turn seek to ensure the Group is operating within agreed Retail Credit Risk Appetite parameters.

Monitoring and reporting: Management information is produced covering all lending portfolios which is tailored to meet the requirements of different audiences within the overall governance framework. Risk Appetite Measures with supporting limits and tolerances allow the Group to track performance against Risk Appetite and identify any emerging trends that could act as an early warning that performance could move outside approved Risk Appetite thresholds, thereby allowing mitigating actions to be taken to address such trends.

Economic environment impact and responses

Excluding the accounting impact of the proposed sale of the Group's Banking business, the Group as a whole continued to trade profitably during the year ended 29 February 2024. While the economic outlook remains uncertain as cost of living and geopolitical pressures continue, improved business and consumer confidence, along with easing inflation, are forecast to produce minimal growth in 2024, with more robust growth forecast in 2025. With inflation now trending down towards the BoE's target of 2.0%, the base rate of interest is predicted to have peaked at 5.25%, with reductions now anticipated in 2024, decreasing the impact on households. In addition, unemployment remains low and there has been a return to positive growth in annual inflation-adjusted real wages.

The Group regularly benchmarks its macro-economic outlook against other external forecasts to ensure its ECL provisions remain at appropriate levels.

The Group has a suite of early warning indicators in place, together with playbooks for a range of economic scenarios. These playbooks continue to be employed, with changes to underwriting criteria being made based on the Group's assessment of the current and forecast macro-economic environment. The Group's risk appetite framework also limits exposure to certain higher risk segments.

Credit Risk (continued)

The performance of credit portfolios is actively monitored, and this monitoring activity has been extended throughout a prolonged period of economic uncertainty to determine which customers are likely to be more or less impacted by the effects of economic uncertainty arising from cost of living pressure. These activities help ensure that the Group's underwriting controls remain appropriate for the latest macro-economic outlook. Management estimation has been applied to the Group's modelled ECL provision to capture the estimated impact of the stress within the Group's ECL provision.

The Group reviewed its stress testing scenarios to ensure it has sufficient capital and liquidity to trade through a plausible range of economic outcomes.

Wholesale Credit Risk

Wholesale Credit Risk is the risk that a counterparty to a transaction will default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial derivative instruments, securities financing transactions and long dated settlement transactions. The Group does not operate in the mainstream commercial or corporate lending market. However, the Group is exposed to Wholesale Credit Risk primarily through Treasury activities, as a result of cash management, liquidity, and market risk management, with the inherent risk that these counterparties could fail to meet their obligations.

Risk Appetite Statement

The Group has a wholesale credit risk appetite commensurate with only those activities required to support the retail business. This includes maintaining adequate liquidity, facilitating debt and capital issuance, market risk management and non-treasury supplier relationships.

Risk Appetite Measures

Risk appetite is conservative, with total regulatory capital allocated to mitigate potential wholesale expected credit loss in an individual capital adequacy assessment process level stress. Proprietary risk taking is not permitted.

Controls and risk mitigants

Daily monitoring of exposures is undertaken, with oversight from the Risk function. Monthly reporting of Risk Appetite Measures is provided to the ERC. Escalation processes are in place for the reporting of any breached limits directly to the ERC.

The Risk Appetite Measure limits are set out in the Wholesale Credit Risk Policy which is approved by the Board. The limits contained in the policy are approved by the Board. The Treasury Director is responsible for ensuring that the Treasury function complies with CCR limits.

The Group's approach to investing funds focuses on counterparties with capacity to meet financial commitments and requires approved counterparties to have investment grade ratings. Counterparty types include financial institutions, sovereigns and multilateral development banks, with approved instrument types including cash, certificates of deposit, bonds, treasury bills, gilts, repurchase agreements, interest rate derivatives and foreign exchange derivatives. Ratings issued by external credit assessment institutions are considered as part of the process to set limits.

Wholesale Credit Risk limits are designed to prevent wholesale credit losses outside of Risk Appetite. Proprietary risk taking is not permitted. Exposure to Wholesale Credit Risk is controlled based on a hierarchy of limits where financial institution, corporate, sovereign, central bank and multilateral development bank exposures at an aggregate level are capped by credit rating and country limits.

Wholesale Credit Risk Limits restrict the amounts that can be invested based on counterparty creditworthiness by country, instrument type and remaining tenor. As part of the credit assessment process for wholesale credit risk exposures, the Group uses the external credit ratings issued by Fitch (as the nominated external credit assessment

Credit Risk (continued)

institution) to help determine the appropriate risk weighting to apply under the Standardised Approach to credit risk exposures. The Wholesale Credit Risk Policy is set by the Board and any new counterparty limits, policy exceptions or overrides must follow delegated authorities agreed by the Board.

International Swaps and Derivatives Association (ISDA) master agreements are in place with all derivative counterparties, Global Master Repurchase Agreements are in place for all repurchase counterparties and ISDA Credit Support Annexes have been executed with all of the Group's derivative counterparties. The Group uses central counterparties (CCPs) in order to clear specified derivative transactions (predominantly interest rate swaps) thereby mitigating CCR. Positions are continuously marked to market and margin in the form of collateral is exchanged on at least a daily basis. As at 29 February 2024, no additional credit risk mitigation was deemed necessary.

Concentration risk

Concentration Risk is the risk of losses arising as a result of concentrations of exposures to a specific counterparty, economic sector, segment or geographical region. The Group could become exposed to this risk were it to become concentrated in certain geographic areas or product profiles e.g. a disproportionate level of high value unsecured personal loans. Such concentrations could result in increased levels of default in some adverse but plausible situations.

Controls and risk mitigants

The Group mitigates these potential concentration risks by establishing appropriate limits and trigger thresholds that are regularly monitored and reported to the appropriate senior management team and risk committees. An assessment of credit concentration is also undertaken as part of the internal capital adequacy assessment process. The Group does not consider itself to be overly concentrated, other than its geographic concentration as a UK business.

Wrong Way Risk

Wrong Way Risk is defined, by the ISDA, as the risk that occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. It arises when the future exposure to a specific counterparty is positively correlated with the counterparty's probability of default due to the nature of the transactions with the counterparty.

Specific wrong-way risk occurs in repurchase agreements where the repurchase counterparty and the issuer of the collateral is the same, or a related entity. The Group's Wholesale Credit Risk policy prohibits a repurchase counterparty and the issuer of the collateral from being the same, or related, entities. Therefore the Group is not exposed to this risk. This does not apply to UK Government or related entity exposures.

Third-Party Credit Exposures

The Group has a number of contracts with third-parties that involve the receipt of fees or commissions. Third-party credit exposure arises through the risk that these payments may not be received. The requirements for management of these exposures are detailed in the Wholesale Credit Risk policy with limits in place to manage these exposures. Exposures and limit breaches are reported to the ERC, Board Risk Committee and the Board.

Credit Risk (continued)

Credit Risk under the Standardised Approach

This table provides information on the main sources of differences (other than those due to different scopes of consolidation, which are shown in Template UK LI1 between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes. The main difference arises due to the regulatory credit conversion factors applied to off-balance sheet exposures.

UK LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		February 2024				
			Items subject to			
		Total	Credit Risk Framework	Securitisation Framework	Counterparty Credit Risk Framework	Market Risk Framework
		a	b	c	d	e
		£m	£m	£m	£m	£m
1	Assets carrying value under the scope of regulatory consolidation (as per template LI1)	9,525.9	9,443.0	–	82.9	–
2	Liabilities carrying value under the scope of regulatory consolidation (as per LI1)	24.9	–	–	24.9	–
3	Total net amount under the scope of regulatory consolidation	9,501.0	9,443.0	–	58.0	–
4	Off-balance sheet amounts	12,849.5	–	–	–	–
5	Differences in valuations	–	–	–	–	–
6	Differences due to different netting rules, other than those already included in row 2	–	–	–	–	–
7	Differences due to consideration of provisions	4.9	4.9	–	–	–
8	Differences due to credit risk mitigation techniques (CRMs)	–	–	–	–	–
9	Differences due to credit conversion factors	–	–	–	–	–
11	Other differences	(40.2)	0.5	–	(40.7)	–
12	**Exposure amounts considered for regulatory purposes**	**22,315.2**	**9,448.4**	–	**17.3**	**–**

		February 2023				
			Items subject to			
		Total	Credit Risk Framework	Securitisation Framework	Counterparty Credit Risk Framework	Market Risk Framework
		a	b	c	d	e
		£m	£m	£m	£m	£m
1	Assets carrying value under the scope of regulatory consolidation (as per template UK LI1)	9,051.1	8,842.9	–	208.2	–
2	Liabilities carrying value under the scope of regulatory consolidation (as per UK LI1)	16.9	–	–	16.9	–
3	Total net amount under the scope of regulatory consolidation	9,034.2	8,842.9	–	191.3	–
4	Off-balance sheet amounts	12,212.0	–	–	–	–
5	Differences in valuations	–	–	–	–	–
6	Differences due to different netting rules, other than those already included in row 2	–	–	–	–	–
7	Differences due to consideration of provisions	76.9	76.9	–	–	–
8	Differences due to credit risk mitigation techniques (CRMs)	–	–	–	–	–
9	Differences due to credit conversion factors	–	–	–	–	–
11	Other differences	(164.7)	–	–	(164.7)	–
12	**Exposure amounts considered for regulatory purposes**	**21,158.4**	**8,919.8**	**–**	**26.6**	**–**

Note: The 'Total' per column a in the above tables, include off-balance-sheet exposures prior to the use of a credit conversion factor. The subsequent columns, b to e, include the off-balance-sheet amounts subject to the regulatory framework, after the application of the relevant credit conversion factors.

Please note February 2023 balances have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Credit Risk (continued)

Credit Risk: Asset Quality

Asset quality risk is the risk that ineffective management and controls over the emerging asset quality of the Group's lending portfolios could expose the Group to elevated levels of default.

Controls and risk mitigants

Asset quality is maintained through credit and affordability assessments at asset origination combined with regular monitoring and reporting of asset quality to the appropriate senior management team and risk committees. The Group's asset quality is reflected through the level of its impairment by lending type.

Past Due, Impaired Assets and Provisions

Past Due and Impaired Definitions

The Group considers exposures to be past due where a customer does not make the minimum contractual monthly payment of principal, interest or fee. Accounts remain as past due but not impaired until the point where a loss trigger has occurred.

An asset will be initially recognised as impaired in response to the following loss triggers:

- where the customer or third-party agency communicates that it is probable that the customer will enter bankruptcy or another form of financial re-structure, e.g. insolvency or repossession;
- when the customer is more than 90 days past due (the equivalent of four payments down) for Personal Loans and Credit Cards;
- where the account has been transferred to recoveries and the relationship is terminated;
- where the customer is deceased; or
- where the customer makes a declaration of significant financial difficulty and is placed on a temporary interest free repayment plan or permanent reduction in APR.

These definitions align to both statutory and regulatory reporting and comply with the requirements of each. The Group has no past due exposures of more than 90 days that are not considered to be impaired.

During the year, in reporting Credit Risk provisioning and impairment the Group complied with International Financial Reporting Standards, specifically 'Financial Instruments' (IFRS 9). A loan is impaired when there is objective evidence that events since the loan was granted have affected the amount or timing of expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows discounted at the loan's original effective interest rate.

Provisioning models

The Group applies an ECL model which segments provisions into 3 stages as defined by IFRS 9. Stage 1 and Stage 2 are held against the portfolio which is not credit impaired at the reporting date. Stage 3 provisions are held against the credit impaired portfolio based upon the above definition.

ECL provisions are calculated at an account level taking into account the relative change in Credit Risk since origination, the level of arrears, security, past loss experience and probability of defaulting based on portfolio trends. The five key areas of judgement in calculating these provisions are:

- probability of default (PD);
- the Group's judgement around a Significant Increase in Credit Risk (SICR) since origination;
- loss given default (LGD);
- the choice of macro-economic scenarios and their relative weighting; and
- the expected lifetime of unsecured lending facilities.

Credit Risk (continued)

Forbearance

The main aim of forbearance is to support customers in returning to a position where they are able to meet their contractual obligations and reduce the risk of default.

Forbearance is relief granted by a lender through arrangements which temporarily allow the customer to pay an amount other than the contractual amounts due. These temporary arrangements may be initiated by the customer or the Group where financial distress would prevent repayment within the original terms and conditions of the contract.

The Group has adopted the definition of forbearance as published in Regulation (EU) 2015/227. The Group reports all accounts meeting this definition, providing for them appropriately.

The value of unsecured loans and advances that are subject to forbearance programmes is disclosed in the Annual Report & Financial Statements of both Tesco Personal Finance Group plc and Tesco Personal Finance plc: https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Controls and risk mitigants

The Group has well defined forbearance policies and processes.

A number of forbearance options are made available to customers by the Group. These routinely, but not exclusively, include the following:

- Arrangements to repay arrears over a period of time, by making payments above the contractual amount, which seek to ensure the loan is repaid within the original repayment term.
- Short term concessions, where the borrower can make reduced repayments (or in exceptional circumstances, no repayments) on a temporary basis to assist with short term financial hardship.

Credit Risk (continued)

UK CQ3: Credit quality of performing and non-performing exposures by past due days

The following table provides an overview of the quality of non-performing exposures.

		February 2024											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Performing exposures	Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days	Non-performing exposures	Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted
		a	b	c	d	e	f	g	h	i	j	k	l
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**375.1**	**375.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
010	**Loans and advances**	**428.6**	**428.5**	**0.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
020	*Central banks*	55.1	55.1	–	–	–	–	–	–	–	–	–	–
030	*General government*	0.5	0.5	–	–	–	–	–	–	–	–	–	–
040	*Credit institutions*	7.7	7.7	–	–	–	–	–	–	–	–	–	–
050	*Other financial corporations*	103.4	103.4	–	–	–	–	–	–	–	–	–	–
060	*Non-financial corporations*	81.7	81.7	–	–	–	–	–	–	–	–	–	–
070	*Of which SMEs*	–	–	–	–	–	–	–	–	–	–	–	–
080	*Households*	180.2	180.1	0.1	–	–	–	–	–	–	–	–	–
090	**Debt securities**	**833.5**	**833.5**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
100	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–
110	*General government*	56.5	56.5	–	–	–	–	–	–	–	–	–	–
120	*Credit institutions*	753.4	753.4	–	–	–	–	–	–	–	–	–	–
130	*Other financial corporations*	23.6	23.6	–	–	–	–	–	–	–	–	–	–
140	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–
150	**Off-balance-sheet exposures**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
160	*Central banks*	–			–								–
170	*General government*	–			–								–
180	*Credit institutions*	–			–								–
190	*Other financial corporations*	–			–								–
200	*Non-financial corporations*	–			–								–
210	*Households*	–			–								–
220	**Total**	**1,637.2**	**1,637.1**	**0.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

In the current year exposures classified as held-for-sale are excluded from this table in accordance with FINREP Definitions. In addition the corresponding undrawn commitments have also been excluded.

Credit Risk (continued)

		February 2023 Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Performing exposures	Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days	Non-performing exposures	Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted
		a	b	c	d	e	f	g	h	i	j	k	l
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**332.5**	**332.5**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
010	**Loans and advances**	**7,672.0**	**7,650.4**	**21.6**	**207.7**	**53.8**	**48.7**	**62.0**	**21.0**	**22.2**	**–**	**–**	**202.4**
020	*Central banks*	43.4	43.4	–	–	–	–	–	–	–	–	–	–
030	*General government*	2.3	2.3	–	–	–	–	–	–	–	–	–	–
040	*Credit institutions*	35.7	35.7	–	–	–	–	–	–	–	–	–	–
050	*Other financial corporations*	156.7	156.7	–	–	–	–	–	–	–	–	–	–
060	*Non-financial corporations*	11.8	11.8	–	–	–	–	–	–	–	–	–	–
070	*Of which SMEs*	*0.6*	*0.6*	–	–	–	–	–	–	–	–	–	–
080	*Households*	7,422.1	7,400.5	21.6	207.7	53.8	48.7	62.0	21.0	22.2	–	–	202.4
090	**Debt securities**	**883.2**	**883.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
100	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–
110	*General government*	97.9	97.9	–	–	–	–	–	–	–	–	–	–
120	*Credit institutions*	762.4	762.4	–	–	–	–	–	–	–	–	–	–
130	*Other financial corporations*	22.9	22.9	–	–	–	–	–	–	–	–	–	–
140	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–
150	**Off-balance-sheet exposures**	**12,204.2**	**–**	**–**	**7.8**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7.7**
160	*Central banks*	–			–								–
170	*General government*	–			–								–
180	*Credit institutions*	–			–								–
190	*Other financial corporations*	–			–								–
200	*Non-financial corporations*	–			–								–
210	*Households*	12,204.2			7.8								7.7
220	**Total**	**21,091.9**	**8,866.1**	**21.6**	**215.5**	**53.8**	**48.7**	**62.0**	**21.0**	**22.2**	**–**	**–**	**210.1**

Credit Risk (continued)

UK CR1: Performing and non-performing exposures and related provisions

The following table provides an overview of the quality of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and class.

		February 2024														
		Gross Carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received on:	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	Performing exposures	Non-performing exposures
		Total	Of which: Stage 1	Of which: Stage 2	Total	Of which: Stage 2	Of which: Stage 3	Total	Of which: Stage 1	Of which: Stage 2	Total	Of which: Stage 2	Of which: Stage 3			
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**375.1**	**375.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
010	**Loans and advances**	**428.6**	**428.1**	**0.5**	**–**	**–**	**–**	**2.0**	**1.5**	**0.5**	**–**	**–**	**–**	**–**	**–**	**–**
020	*Central banks*	55.1	55.1	–	–	–	–	–	–	–	–	–	–	–	–	–
030	*General government*	0.5	0.5	–	–	–	–	–	–	–	–	–	–	–	–	–
040	*Credit institutions*	7.7	7.7	–	–	–	–	–	–	–	–	–	–	–	–	–
050	*Other financial corporations*	103.4	103.4	–	–	–	–	0.3	0.3	–	–	–	–	–	–	–
060	*Non-financial corporations*	81.7	81.7	–	–	–	–	–	–	–	–	–	–	–	–	–
070	*Of which SMEs*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
080	*Households*	180.2	179.7	0.5	–	–	–	1.7	1.2	0.5	–	–	–	–	–	–
090	**Debt securities**	**833.5**	**833.5**	**–**	**–**	**–**	**–**	**0.3**	**0.3**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
100	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
110	*General governments*	56.5	56.5	–	–	–	–	0.1	0.1	–	–	–	–	–	–	–
120	*Credit institutions*	753.4	753.4	–	–	–	–	0.2	0.2	–	–	–	–	–	–	–
130	*Other financial corporations*	23.6	23.6	–	–	–	–	–	–	–	–	–	–	–	–	–
140	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150	**Off-balance-sheet exposures**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
160	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
170	*General government*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
180	*Credit institutions*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
190	*Other financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
200	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
210	*Households*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
220	**Total**	**1,637.2**	**1,636.7**	**0.5**	**–**	**–**	**–**	**2.3**	**1.8**	**0.5**	**–**	**–**	**–**	**–**	**–**	**–**

In the current year exposures classified as held-for-sale are excluded from this table in accordance with FINREP Definitions. In addition the corresponding Undrawn Commitments are excluded.

Credit Risk (continued)

February 2023

		Gross Carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received on:	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	Performing exposures	Non-performing exposures
		Total	Of which: Stage 1	Of which: Stage 2	Total	Of which: Stage 2	Of which: Stage 3	Total	Of which: Stage 1	Of which: Stage 2	Total	Of which: Stage 2	Of which: Stage 3			
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**332.5**	**332.5**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
010	**Loans and advances**	**7,672.0**	**6,054.5**	**1,617.5**	**207.7**	**2.4**	**205.3**	**359.4**	**63.2**	**296.2**	**114.8**	**0.9**	**113.9**	**100.8**	**–**	**–**
020	*Central banks*	43.4	43.4	–	–	–	–	–	–	–	–	–	–	–	–	–
030	*General government*	2.3	2.3	–	–	–	–	–	–	–	–	–	–	–	–	–
040	*Credit institutions*	35.7	35.7	–	–	–	–	–	–	–	–	–	–	–	–	–
050	*Other financial corporations*	156.7	156.7	–	–	–	–	0.3	0.3	–	–	–	–	–	–	–
060	*Non-financial corporations*	11.8	11.8	–	–	–	–	–	–	–	–	–	–	–	–	–
070	*Of which SMEs*	*0.6*	*0.6*	–	–	–	–	–	–	–	–	–	–	–	–	–
080	*Households*	7,422.1	5,804.6	1,617.5	207.7	2.4	205.3	359.1	62.9	296.2	114.8	0.9	113.9	100.8	–	–
090	**Debt securities**	**883.2**	**883.2**	**–**	**–**	**–**	**–**	**0.3**	**0.3**	**–**	**–**	**–**	**–**	**–**	**32.2**	**–**
100	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
110	*General governments*	97.9	97.9	–	–	–	–	0.1	0.1	–	–	–	–	–	32.2	–
120	*Credit institutions*	762.4	762.4	–	–	–	–	0.2	0.2	–	–	–	–	–	–	–
	Other financial corporations	22.9	22.9	–	–	–	–	–	–	–	–	–	–	–	–	–
140	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150	**Off-balance-sheet exposures**	**12,204.2**	**11,508.1**	**696.1**	**7.8**	**0.1**	**7.7**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
160	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
170	*General government*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
180	*Credit institutions*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
190	*Other financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
200	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
210	*Households*	12,204.2	11,508.1	696.1	7.8	0.1	7.7	–	–	–	–	–	–	–	–	–
220	**Total**	**21,091.9**	**18,778.3**	**2,313.6**	**215.5**	**2.5**	**213.0**	**359.7**	**63.5**	**296.2**	**114.8**	**0.9**	**113.9**	**100.8**	**32.2**	**–**

Credit Risk (continued)

UK CR2: Changes in the stock of non-performing loans and advances

The following table shows the reconciliation of changes in non-performing loans and advances.

		February 2024 Gross carrying amount (£m)	February 2023 Gross carrying amount (£m)
		a	b
010	**Initial stock of non-performing loans and advances**	207.7	206.8
020	Inflows to non-performing portfolios	321.6	172.8
030	Outflows from non-performing portfolios	(529.3)	(171.9)
040	*Outflows due to write-offs*	(93.9)	(110.7)
050	*Outflow due to other situations*	(435.4)	(61.2)
060	**Final stock of non-performing loans and advances**	–	**207.7**

In the current year exposures classified as held-for-sale are excluded from this table in accordance with FINREP Definitions

Note: Balance included in 'Outflow due to other situations' driven by several factors including reclassification of the assets included in the proposed sale of the Group's Banking business as held-for-sale, debt sales and partial or total loan repayments.

UK CR1-A: Maturity of exposures

The following table shows residual contractual maturity of specific debt instruments.

		February 2024 Net exposure value (£m)					
		On demand	<=1 year	>1 year <=5 years	> 5 years	No stated maturity	Total
		a	b	c	d	e	f
1	Loans and advances	391.2	222.6	70.9	–	117.0	801.7
2	Debt securities	–	75.0	619.9	138.3	–	833.2
3	**Total**	**391.2**	**297.6**	**690.8**	**138.3**	**117.0**	**1,634.9**

In the current year exposures classified as held-for-sale are excluded from this table in accordance with FINREP Definitions

		February 2023 Net exposure value (£m)					
		On demand	<=1 year	>1 year <=5 years	> 5 years	No stated maturity	Total
		a	b	c	d	e	f
1	Loans and advances	337.8	4,076.1	2,683.4	525.3	115.4	7,738.0
2	Debt securities	–	297.0	480.1	105.8	–	882.9
3	**Total**	**337.8**	**4,373.1**	**3,163.5**	**631.1**	**115.4**	**8,620.9**

UK CQ5: Credit quality of loans and advances to non-financial corporations by industry

The following table splits loans and advances by industrial sector.

		February 2024					
		Gross carrying amount	Of which non-performing	Of which defaulted	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk due to credit risk on non-performing exposures
		a	b	c	d	e	f
		£m	£m	£m	£m	£m	£m
030	Manufacturing	–	–	–	–	–	–
070	Wholesale and retail trade	74.2	–	–	–	–	–
110	Financial and insurance activities	–	–	–	–	–	–
130	Professional, scientific and technical activities	5.0	–	–	–	–	–
140	Administrative and support service activities	2.5	–	–	–	–	–
190	Other services	–	–	–	–	–	–
200	**Total**	**81.7**	**–**	**–**	**–**	**–**	**–**

In the current year exposures classified as held-for-sale are excluded from this table in accordance with FINREP Definitions

Credit Risk (continued)

		February 2023					
		Gross carrying amount	Of which non-performing	Of which defaulted	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk due to credit risk on non-performing exposures
		a	b	c	d	e	f
		£m	£m	£m	£m	£m	£m
030	Manufacturing	0.3	–	–	–	–	–
070	Wholesale and retail trade	5.4	–	–	–	–	–
110	Financial and insurance activities	–	–	–	–	–	–
130	Professional, scientific and technical activities	3.9	–	–	–	–	–
140	Administrative and support service activities	2.2	–	–	–	–	–
190	Other services	–	–	–	–	–	–
200	**Total**	**11.8**	**–**	**–**	**–**	**–**	**–**

Credit Risk: Mitigation

Management of Credit Risk Mitigation

The Group utilises credit risk mitigation in the form of explicit government guarantees provided against some specific debt security investments.

UK CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

The following table discloses the extent of the use of CRM techniques.

		February 2024				
		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount	Of which: secured by collateral	Of which: secured by financial guarantees	Of which: secured by credit derivatives
		£m	£m	£m	£m	£m
1	Loans and advances	801.7	–	–	–	–
2	Debt Securities	833.2	–	–	–	–
3	**Total**	**1,634.9**	**–**	**–**	**–**	**–**
4	Of which non-performing exposures	–	–	–	–	–
5	Of which defaulted	–	–	–	–	–

In the current year exposures classified as held-for-sale are excluded from this table in accordance with FINREP Definitions

		February 2023				
		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount	Of which: secured by collateral	Of which: secured by financial guarantees	Of which: secured by credit derivatives
		£m	£m	£m	£m	£m
1	Loans and advances	7,738.0	–	–	–	–
2	Debt Securities	850.7	32.2	–	32.2	–
3	**Total**	**8,588.7**	**32.2**	**–**	**32.2**	**–**
4	Of which non-performing exposures	92.9	–	–	–	–
5	Of which defaulted	89.9	–	–	–	–

Credit Risk (continued)

UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects

The following table illustrates the effect of all CRM techniques applied in accordance with Part Three, Title II, Chapter 4 of the CRR.

		February 2024					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
		On balance sheet exposures	Off-balance sheet exposures	On balance sheet exposures	Off-balance sheet amount	RWAs	RWA density (%)
		a	b	c	d	e	f
		£m	£m	£m	£m	£m	
	Exposure Class						
1	Central governments or central banks	806.8	–	806.8	–	119.5	14.8%
2	Regional governments or local authorities	0.7	–	0.7	–	0.1	20.0%
3	Public sector entities	–	–	–	–	–	0.0%
4	Multilateral development banks	350.2	–	350.2	–	–	0.0%
6	Institutions	88.0	–	88.0	–	12.1	13.7%
7	Corporates	36.3	–	36.3	–	35.1	96.8%
8	Retail	7,348.1	12,849.5	7,348.1	–	5,511.1	75.0%
10	Exposures in default	84.2	–	84.2	–	88.2	104.7%
12	Covered bonds	423.1	–	423.1	–	42.3	10.0%
15	Equity exposures	77.4	–	77.4	–	193.7	250.0%
16	Other exposures	233.6	–	233.6	–	197.2	84.4%
17	**Total**	**9,448.4**	**12,849.5**	**9,448.4**	**–**	**6,199.3**	**65.6%**

		February 2023					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
		On balance sheet exposures	Off-balance sheet exposures	On balance sheet exposures	Off-balance sheet amount	RWAs	RWA density (%)
		a	b	c	d	e	f
		£m	£m	£m	£m	£m	
	Exposure Class						
1	Central governments or central banks	461.6	–	494.7	–	81.2	16.4%
2	Regional governments or local authorities	2.3	–	2.3	–	0.5	21.7%
3	Public sector entities	33.1	–	–	–	–	0.0%
4	Multilateral development banks	416.4	–	416.4	–	–	0.0%
6	Institutions	94.4	–	94.4	–	12.2	12.9%
7	Corporates	35.1	–	35.1	–	33.8	96.3%
8	Retail	7,132.9	12,212.0	7,132.9	–	5,349.7	75.0%
10	Exposures in default	109.8	–	109.8	–	115.1	104.8%
12	Covered bonds	374.8	–	374.8	–	37.5	10.0%
15	Equity exposures	157.5	–	157.5	–	393.7	250.0%
16	Other exposures	101.9	–	101.9	–	63.8	62.6%
17	**Total**	**8,919.8**	**12,212.0**	**8,919.8**	**–**	**6,087.5**	**68.2%**

Note: In accordance with CRR, Public Sector Entities that are the subject of an explicit guarantee from the Central Government or Central Bank are treated as exposures to the central government, regional government or local authority in whose jurisdiction they are established.

Analysis of Credit Risk Mitigation

Use of External Credit Assessment Institutions' Ratings

The Group complies with the credit quality assessment scale with the appropriate issue or issuer rating used to determine the risk weightings applied under the Standardised Approach to Credit Risk.

The exposure amounts and the external credit ratings issued by Fitch have been included for corporates, institutions and covered bonds as required by the CRR. For completeness the ratings of central governments and banks have also

Credit Risk (continued)

been included, in line with the defined risk weightings set out in the CRR. The following table provides additional information on the use of external credit ratings.

UK CRD: Institution's use of external credit ratings under the Standardised Approach for credit risk

The following table provides additional information on the use of external credit ratings.

	February 2024							
Fitch	Credit Quality Step 1 AAA to AA-	Credit Quality Step 2 A+ to A-	Credit Quality Step 3 BBB+ to BB-	Credit Quality Step 4 BB+ to BB-	Credit Quality Step 5 B+ to B-	Credit Quality Step 6 CCC+ and below	Unrated or Defined Risk Weight in CRR	Total
Exposure Class	£m	£m	£m	£m	£m	£m	£m	£m
Central governments or central banks	–	–	–	–	–	–	806.8	806.8
Regional governments or local authorities	–	–	–	–	–	–	0.7	0.7
Public sector entities	–	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	350.2	350.2
Institutions	48.5	24.5	–	–	–	–	15.0	88.0
Corporates	–	2.4	5.9	–	–	–	28.0	36.3
Retail	–	–	–	–	–	–	20,197.6	20,197.6
Exposures in default	–	–	–	–	–	–	84.2	84.2
Covered bonds	423.1	–	–	–	–	–	–	423.1
Equity exposures	–	–	–	–	–	–	77.4	77.4
Other exposures	–	–	–	–	–	–	233.6	233.6
Total	**471.6**	**26.9**	**5.9**	**–**	**–**	**–**	**21,793.5**	**22,297.9**

	February 2023							
Fitch	Credit Quality Step 1 AAA to AA-	Credit Quality Step 2 A+ to A-	Credit Quality Step 3 BBB+ to BB-	Credit Quality Step 4 BB+ to BB-	Credit Quality Step 5 B+ to B-	Credit Quality Step 6 CCC+ and below	Unrated or Defined Risk Weight in CRR	Total
Exposure Class	£m	£m	£m	£m	£m	£m	£m	£m
Central governments or central banks	–	–	–	–	–	–	461.6	461.6
Regional governments or local authorities	–	–	–	–	–	–	2.3	2.3
Public sector entities	–	–	–	–	–	–	33.1	33.1
Multilateral development banks	–	–	–	–	–	–	416.4	416.4
Institutions	53.6	25.8	–	–	–	–	15.0	94.4
Corporates	–	1.9	6.0	–	–	–	27.2	35.1
Retail	–	–	–	–	–	–	19,344.9	19,344.9
Exposures in default	–	–	–	–	–	–	109.8	109.8
Covered bonds	374.8	–	–	–	–	–	–	374.8
Equity exposures	–	–	–	–	–	–	157.5	157.5
Other exposures	–	–	–	–	–	–	101.9	101.9
Total	**428.4**	**27.7**	**6.0**	**–**	**–**	**–**	**20,669.7**	**21,131.8**

Credit Risk (continued)

UK CR5: Standardised Approach - breakdown of exposures under the Standardised Approach by asset class and risk weight

The following table provides additional information on exposures split by asset class and risk weight. Please note only applicable risk weights are disclosed in the following table.

February 2024

		Risk Weight									Total	Of which: unrated
		0%	2%	10%	20%	50%	75%	100%	150%	250%		
		a	b	d	e	g	i	j	k	n	p	q
	Exposure Class	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	Central governments or central banks	749.8	–	–	–	–	–	15.3	–	41.7	**806.8**	806.8
2	Regional government or local authorities	–	–	–	0.7	–	–	–	–	–	**0.7**	0.7
3	Public sector entities	–	–	–	–	–	–	–	–	–	**–**	–
4	Multilateral development banks	350.2	–	–	–	–	–	–	–	–	**350.2**	350.2
6	Institutions	–	30.7	–	57.3	–	–	–	–	–	**88.0**	15.0
7	Corporates	–	–	–	–	2.3	–	34.0	–	–	**36.3**	28.0
8	Retail exposures	–	–	–	–	–	7,348.1	–	–	–	**7,348.1**	7,348.1
10	Exposures in default	–	–	–	–	–	–	76.3	7.9	–	**84.2**	84.2
12	Covered bonds	–	–	423.1	–	–	–	–	–	–	**423.1**	–
15	Equity exposures	–	–	–	–	–	–	–	–	77.4	**77.4**	77.4
16	Other items	16.8	–	–	24.4	–	–	192.4	–	–	**233.6**	233.6
17	**Total**	**1,116.8**	**30.7**	**423.1**	**82.4**	**2.3**	**7,348.1**	**318.0**	**7.9**	**119.1**	**9,448.4**	**8,944.0**

February 2023

		Risk Weight									Total	Of which: unrated
		0%	2%	10%	20%	50%	75%	100%	150%	250%		
		a	b	d	e	g	i	j	k	n	p	q
	Exposure Class	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**
1	Central governments or central banks	462.2	–	–	–	–	–	–	–	32.5	**494.7**	494.7
2	Regional governments or local authorities	–	–	–	2.3	–	–	–	–	–	**2.3**	2.3
3	Public sector entities	–	–	–	–	–	–	–	–	–	**–**	–
4	Multilateral development banks	416.4	–	–	–	–	–	–	–	–	**416.4**	416.4
6	Institutions	–	37.3	–	57.1	–	–	–	–	–	**94.4**	15.0
7	Corporates	–	–	–	–	1.9	–	33.2	–	–	**35.1**	27.2
8	Retail exposures	–	–	–	–	–	7,132.9	–	–	–	**7,132.9**	7,132.9
10	Exposures in default	–	–	–	–	–	–	99.0	10.8	–	**109.8**	109.8
12	Covered bonds	–	–	374.8	–	–	–	–	–	–	**374.8**	–
15	Equity exposures	–	–	–	–	–	–	–	–	157.5	**157.5**	157.5
16	Other items	14.3	–	–	29.6	–	–	58.0	–	–	**101.9**	101.9
17	**Total**	**892.9**	**37.3**	**374.8**	**89.0**	**1.9**	**7,132.9**	**190.2**	**10.8**	**190.0**	**8,919.8**	**8,457.7**

Non Trading Book Exposures in Equities

The Group's non trading book exposure in equities relates to its investment in TU. TU is a subsidiary offering general insurance products to the Group's customers. The subsidiary is fully consolidated in the Annual Report and Financial Statements of both Tesco Personal Finance Group plc and the Company and is outside of the scope of regulatory consolidation. This equity position in the non-trading book is held as a strategic shareholding.

The investment in TU is valued at cost less any provision for impairment. At 29 February 2024 this investment was valued at £184.1m (2023: £184.1m). The Group has made the required deductions relating to this investment from Tier 1 capital and risk weighted the remaining value of the investment at 250%.

Counterparty Credit Risk (CCR)

Counterparty Credit Risk Management

CCR is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for derivative financial instruments, securities financing transactions and long dated settlement transactions. As at 29 February 2024, the Group has an undrawn £200.0m committed structured repurchase facility and has no long dated settlement transactions.

Controls and risk mitigants

All derivative transactions are governed by industry standard ISDA Master Agreements, supplemented by ISDA Credit Support Annexes for a number of counterparties. Information relating to policies used in the management of Wholesale Credit Risk, is provided on Page 40 to Page 41.

Policies are in place which allow the use of credit risk mitigation to reduce CCR. As at 29 February 2024 no use has been made of collateral other than under industry standard ISDA agreements, ISDA Credit Support Annexes used in relation to derivative transactions and Global Master Repurchase Agreements used in relation to repurchase transactions.

The Group in its ordinary course of business uses over the counter derivatives and forward foreign exchange transactions to hedge interest rate and foreign exchange risk.

Counterparty Credit Risk under the Simplified Standardised Approach (sSA-CCR)

The sSA-CCR is used to measure the exposure value for Counterparty Credit Risk (CCR). The threshold conditions for calculation methodology are monitored on a monthly basis.

As at 29 February 2024, the Group had a Moody's public credit rating of Baa1. The Group is not required to post additional collateral in the event of a downgrade in credit rating. The Group has no exposure to credit derivative transactions.

UK CCR1: Analysis of CRR exposure by approach

The following table provides a breakdown of the Counterparty Credit Risk by approach used in calculation.

		February 2024							
		Replacement cost (RC)	Potential futures exposure (PFE)	EEPE	Alpha used for computing regulatory exposure	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		a	b	c	d	e	f	g	h
		£m	£m	£m	£m	£m	£m	£m	£m
UK2	Simplified SA-CCR (for derivatives)	0.2	0.3	–	1.4	0.8	0.6	0.6	0.1
3	Financial collateral simple method (for SFTs)	–	–	–	–	–	–	–	–
6	**Total**					**0.8**	**0.6**	**0.6**	**0.1**

		February 2023							
		Replacement cost (RC)	Potential futures exposure (PFE)	EEPE	Alpha used for computing regulatory exposure	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		a	b	c	d	e	f	g	h
		£m	£m	£m	£m	£m	£m	£m	£m
UK2	Simplified SA-CCR (for derivatives)	0.2	0.2	–	1.4	0.5	0.5	0.5	0.1
3	Financial collateral simple method (for SFTs)	–	–	–	–	86.8	12.9	12.9	2.6
6	**Total**					**87.3**	**13.4**	**13.4**	**2.7**

Note: Table excludes exposures to CCPs.

Counterparty Credit Risk (CCR) (continued)

UK CCR2: Transactions subject to own funds requirements for CVA risk

The following table provides the CVA regulatory calculations with a breakdown by approach

		February 2024		February 2023	
		Exposure Value	RWEA	Exposure Value	RWEA
		a	b	a	b
		£m	£m	£m	£m
1	Total portfolios subject to the Advanced method	–	–	–	–
2	(i) VaR component (including the 3x multiplier)		–		–
3	(ii) Stressed VaR component (including the 3x multiplier)		–		–
4	All portfolios subject to the Standardised Method	0.6	0.1	0.5	0.1
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	–	–	–	–
5	**Total transactions subject to own funds requirements for CVA risk**	**0.6**	**0.1**	**0.5**	**0.1**

UK CCR3: Standardised Approach - CCR exposures by regulatory exposure class and risk weights

The following table provides a breakdown of CCR exposures calculated by portfolio and by risk weight.

		February 2024				February 2023			
		Risk Weight			Total exposure value	Risk Weight			Total exposure value
		2%	20%	50%		2%	20%	50%	
		b	e	g	l	b	e	g	l
	Exposure class	£m	£m	£m	£m	£m	£m	£m	£m
6	Institutions	–	0.6	–	0.6	–	13.4	–	13.4
11	**Total exposure value**	**–**	**0.6**	**–**	**0.6**	**–**	**13.4**	**–**	**13.4**

Note: Table excludes exposures to CCPs.

UK CCR8: Exposures to CCPs

The following table provides additional information on the exposures to Central Counterparties (CCPs).

		February 2024		February 2023	
		Exposure value (£m)	RWEA (£m)	Exposure value (£m)	RWEA (£m)
		a	b	a	b
1	Exposures to QCCPs (total)		0.3		0.3
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	16.8	0.3	13.2	0.3
3	(i) OTC derivatives	16.8	0.3	13.2	0.3
7	Segregated initial margin	36.0		35.2	
11	Exposures to non-QCCPs (total)		–		–

Securitisation and Covered Bond Exposures

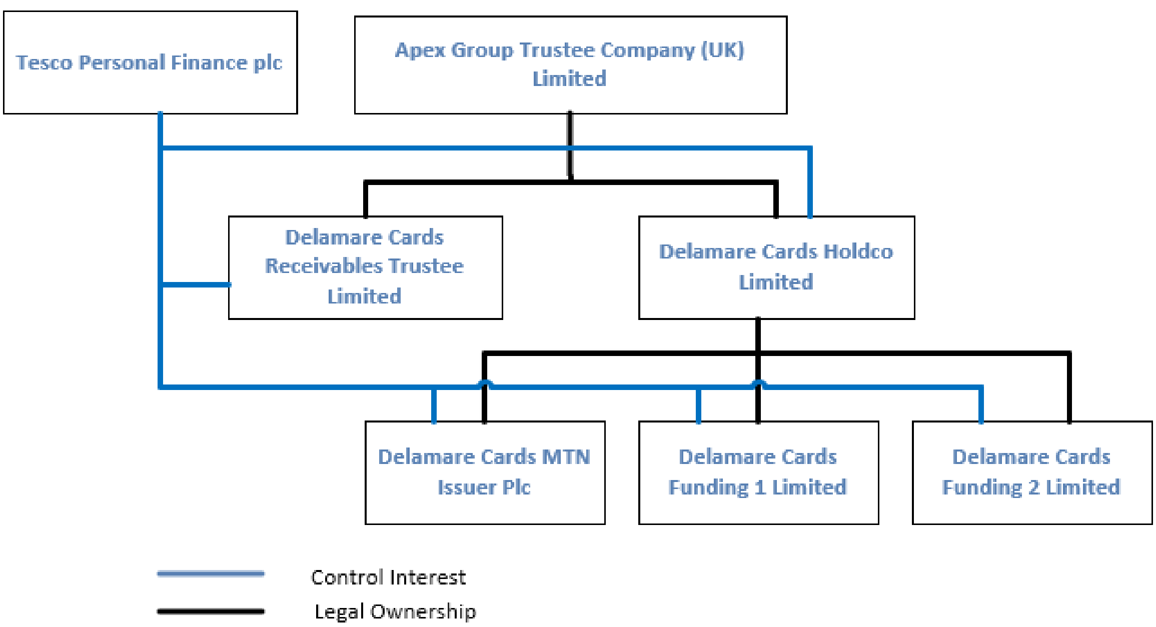
A traditional securitisation is defined as a transaction where the payments are dependent upon the performance of a ring-fenced pool of exposures sold to a Special Purpose Entity (SPE), where the subordination of tranches issued by the SPE determines the distribution of losses during the life of the transaction.

The principal objective of the Group's securitisation activity is funding diversification, providing access to secured term funding from a wide range of investors in different jurisdictions.

The Group has undertaken a number of securitisation transactions, having assigned a portion of its credit card receivables to a SPE (Delamare Cards Receivables Trustee Ltd). These receivables support the Group's issuance of credit card asset backed securities from the SPE as their respective revenue and principal cash flows are transferred to the SPE facilitating both expense and securities payments. Although none of the equity of the securitisation SPE is owned by the Group, the nature of these entities, which are in substance controlled by the Group, mean that it retains substantially all of the risks and rewards of ownership of the securitised credit card receivables. The accounting policies in relation to the Group's securitisation activity are disclosed within the Annual Report and Financial Statements of both Tesco Personal Finance plc and Tesco Personal Finance Group plc: https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Both the underlying assets and the securitisation bonds are held at amortised cost. For accounting purposes, the securitisation SPE is consolidated within the Group as the substance of the relationship and retention of risk and rewards indicates control is retained.

The following diagram details the current securitisation SPEs:



The Group operates within the securitisation markets and covered bond markets as an investor, purchasing only ABS backed by Group assets (own name securities) and covered bonds for the purposes of diversifying its wholesale assets as part of managing its overall liquid asset buffer.

The Group does not hold any re-securitisation positions and is not active in synthetic securitisation. The Group does not act as a sponsor to any securitisations and it does not provide liquidity facilities to either its originated asset backed securities or any third-parties involved in securitisation activity.

Securitisation and Covered Bond Exposures (continued)

As at 29 February 2024, Delamare Cards MTN Issuer plc had £2,240m notes in issue in relation to securitisation transactions, of which £1,950.0m are rated AAA by S&P Global Ratings Europe Limited and Fitch Ratings Limited. Additionally, the AAA rated notes in issue (£1,950.0m) have been notified to the FCA as being compliant with the "Simple, Transparent and Standardised" (STS) criteria set out in the Securitisation (Amendment) (EU Exit) Regulations 2019 (as so amended, and together with the EU Securitisation Regulation (EU) 2017/2402). At the year end the Group had pledged £3,176.6m of credit card assets in Delamare SPEs. The beneficial interest of these assets has been assigned to Delamare Cards Receivables Trustee Limited.

The following table presents the retained securitisation exposures for the Group based on the carrying value reported in the Annual Report and Financial Statements.

UK SEC1: Securitisation exposures in the non-trading book

		February 2024						
		Institution acts as originator						
		Traditional				Synthetic		Sub-total
		STS		Non-STS				
			Of which SRT		Of which SRT		Of which SRT	
		a	b	c	d	e	f	g
		£m	£m	£m	£m	£m	£m	
1	Total exposures	1,948.1	–	290.0	–	–	–	2,238.1
2	Retail (total)	1,948.1	–	290.0	–	–	–	2,238.1
4	Credit card	1,948.1	–	290.0	–	–	–	2,238.1

		February 2023						
		Institution acts as originator						
		Traditional				Synthetic		Sub-total
		STS		Non-STS				
			Of which SRT		Of which SRT		Of which SRT	
		a	b	c	d	e	f	g
		£m	£m	£m	£m	£m	£m	
1	Total exposures	1,550.0	–	290.0	–	–	–	1,840.0
2	Retail (total)	1,550.0	–	290.0	–	–	–	1,840.0
4	Credit card	1,550.0	–	290.0	–	–	–	1,840.0

The following table presents the exposures securitised by the Group.

UK SEC5: Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

		February 2024		
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		
			Of which exposures in default	Total amount of specific credit risk adjustments made during the period
		a	b	c
		£m	£m	£m
1	Total exposures	3,176.6	102.6	223.5
2	Retail (total)	3,176.6	102.6	223.5
4	Credit card	3,176.6	102.6	223.5

		February 2023		
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		
			Of which exposures in default	Total amount of specific credit risk adjustments made during the period
		a	b	c
		£m	£m	£m
1	Total exposures	2,925.1	94.7	187.5
2	Retail (total)	2,925.1	94.7	187.5
4	Credit card	2,925.1	94.7	187.5

Securitisation and Covered Bond Exposures (continued)

The Group invests in covered bond securities where preferential capital treatment is permitted. Bonds acquired are held as Investment Securities on the balance sheet. At 29 February 2024, the Group's exposure to covered bonds amounted to £423.1m (2023: £374.8m).

Risks Inherent in Securitised and Covered Bond Assets

The Group is exposed to limited risk as it purchases only own name ABS, however one of the inherent risks when purchasing Class A securities is the loss of eligibility of these securities for market repo. This can be mitigated by the Group via established monitoring and remedial processes that apply to both the securitisation and the wider funding plan.

The Group's credit card securitisation programme itself is flexible in terms of structure and enhancement and can respond to stresses experienced by the underlying assets. The Group regularly assesses securitisation asset performance and models its cash flows to take account of Liquidity Risk, Currency Risk, Operational Risk, market prices / yields and any Counterparty Credit Risk.

The risks inherent in covered bonds relate primarily to the financial strength of the issuer and to the underlying assets used as collateral for the bonds. A credit assessment of the issuer's financial strength is undertaken at point of purchase, for all exposures to new counterparties, together with a due diligence assessment of the bond structure and underlying assets on at least a quarterly basis. The due diligence includes a review of areas such as arrears levels and collateral arrangements. An annual review of the issuer's financial strength is also undertaken.

Approach to Calculating Risk Weighted Exposure Amounts

The Group adopts the Standardised Approach in relation to all types of securitisation and covered bond exposures. For covered bond investments, risk weighted exposure amounts are calculated using the credit quality steps prescribed in the CRR. Significant Risk Transfer in relation to the Group's securitisation is not achieved and so the underlying credit card assets remain on balance sheet and are classified as Retail exposures and risk weighted accordingly.

Encumbered and Unencumbered Assets

Asset encumbrance represents a claim to an asset by another party in the form of a security interest such as a pledge. Encumbrance reduces the assets available and therefore, the recovery rate of its depositors and other unsecured bank creditors. An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

The Group has adopted the definition of encumbrance in accordance with the PRA Rulebook.

The Group's Asset Encumbrance Disclosure

The Group maintains limits for total encumbrance and product encumbrance for Credit Cards and Personal Loans as part of the Risk Appetite process. Pledging assets as part of secured funding and repo markets activity give rise to encumbrance. The majority of the Group's assets are deemed as available for encumbrance since the Group is able to encumber balances relating to Credit Cards, Personal Loans, Debt Securities, derivative margin and balances ringfenced with the Bank of England. Encumbrance levels are monitored on a regular basis to review and reduce over collateralisation where possible. No intergroup encumbrance is undertaken.

The Group’s total encumbrance ratio was 21.8% as at 29 February 2024 (2023: 18.5%). The increase in the encumbrance ratio is due to an issuance of external securitisation notes which are treated as encumbered. The asset encumbrance ratio is calculated as (total encumbered assets + total collateral received which has been re-used for refinancing transactions) divided by (total assets + total collateral received which is available for encumbrance).

Asset values reported in the tables are medians of the quarterly values over the year ended 29 February 2024.

UK AE1: Encumbered and unencumbered assets

	February 2024	Carrying amount of encumbered assets	of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	of which eligible EHQLA and HQLA	Fair value of unencumbered assets	of which eligible EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**2,028.1**	**–**			**7,679.7**	**1,303.2**		
030	Equity Instruments	–	–	–	–	1.0	–	1.0	–
040	Debt securities	–	–	–	–	832.9	832.9	833.5	833.5
050	of which: covered bonds	–	–	–	–	377.4	377.4	377.4	377.4
070	of which: issued by general governments	–	–	–	–	94.5	94.5	94.8	94.8
080	of which: issued by financial corporations	–	–	–	–	756.0	756.0	756.4	756.4
120	Other assets	2,028.1	–			6,818.4	443.0		

Encumbered and Unencumbered Assets (continued)

		February 2023							
		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**1,771.4**	**21.9**			**7,270.4**	**1,189.0**		
030	Equity Instruments	–	–	–	–	0.9	–	0.9	–
040	Debt securities	21.9	21.9	19.0	19.0	844.9	844.9	851.6	851.6
050	of which: covered bonds	–	–	–	–	337.4	337.4	337.8	337.8
070	of which: issued by general governments	21.9	21.9	17.6	17.6	92.2	92.2	96.4	96.4
080	of which: issued by financial corporations	–	–	–	–	747.0	747.0	752.0	752.0
120	Other assets	1,749.5	–			6,424.7	344.1		

UK AE2: Collateral received and own debt securities issued

		February 2024				February 2023			
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
		010	020	030	040	010	020	030	040
130	Collateral received by the reporting institution	–	–	–	–	–	–	–	–
140	Loans on demand	–	–	–	–	–	–	–	–
150	Equity instruments	–	–	–	–	–	–	–	–
160	Debt securities	–	–	–	–	–	–	–	–
220	Loans and advances other than loans on demand	–	–	–	–	–	–	–	–
230	Other collateral received	–	–	–	–	–	–	–	–
240	Own debt securities issued other than own covered bonds or securitisations	–	–	–	–	–	–	–	–
241	Own covered bonds and asset-backed securities issued and not yet pledged	–	–	1,100.7	–	–	–	587.5	–
250	**Total assets, collateral received and own debt securities issued**	**2,028.1**	**–**	**–**	**–**	**1,771.4**	**–**	**–**	**–**

UK AE 3: Sources of encumbrance

		February 2024		February 2023	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		£m	£m	£m	£m
		010	030	010	030
010	Carrying amount of selected financial liabilities	960.2	1,419.9	977.1	1,728.0

Market Risk

Market Risk is defined as the risk that movements in market prices (such as interest rates and foreign exchange rates) lead to a reduction in either the Bank's earnings or economic value.

The Group assesses Interest Rate Risk in the Banking Book (IRRBB) by measuring the value risk to equity capital and future earnings sensitivity under specific interest rate scenarios. The Group assesses its exposure to Foreign Exchange (FX) Risk by measuring its net open currency position.

Risk Appetite Statement

The Group has established a Risk Appetite for Market Risk arising from its core business of providing retail banking products. Proprietary risk taking is not permitted. This Risk Appetite statement is implemented via the Group's Market Risk Policy.

Risk Appetite Measures

The Group's Market Risk Appetite statement defines limits for the following Market Risk measures: -

- Capital at Risk (CaR): measures the value risk to equity capital under adverse interest rate scenarios. The measure is based on conditional cash flow modelling under the assumption that the timing and amount of cash flows is dependent on the specific interest rate scenario. The cash flows in CaR are modelled on a run-off basis where existing banking book positions amortise and are not replaced by new business. The Group defines a net equity capital (known as Net Free Reserves) that is eligible for behavioural treatment; since equity capital has no contractual reset date, the Group determines its own investment term assumption whereby its interest rate sensitivity is considered. This investment term is approved by the Board and is intended to stabilise both earnings and economic value sensitivity as interest rates change.

- Annual Earnings at Risk (AEaR): measures the sensitivity of the Bank's future earnings (over the next 12 months), in response to adverse movements in interest rates. The measure is based on the same conditional cash flow assumptions used in CaR but is measured assuming that the balance sheet remains constant. The Group also measures the sensitivity of the Bank's future earnings, in response to adverse movements in interest rates, based on a balance sheet which incorporates latest expectations on future business.

- Net Open Currency Position: measures the Bank's net open currency position aggregated across all currencies.

The scenarios considered for CaR include both parallel and non-parallel movements of the yield curve and have been designed to assess impacts across a suitable range of severe but plausible movements in interest rates.

The Group assesses the AEaR measure by considering the impact of a +/- 0.25%, 0.50%, 0.75%, 1 % shock in rates versus the base case scenario.

Controls and risk mitigants

- The Board approved Market Risk Policy provides direction to all staff with responsibility for managing market risk and defines the approach the Group must apply to measure, monitor, and control Market Risk. The Group's Market Risk Appetite statement is documented within this policy which includes specific limits on Market Risk measures.

- The Treasury function implement and operate systems and standards for measuring Market Risk including a comprehensive reporting suite for the Board Risk Committee and the ALCo including timely updates in response to changing market conditions. The Treasury function ensures compliance with the Board's Market Risk Appetite statement by implementing hedging strategies such as the use of derivatives to hedge any residual risks.

Market Risk (continued)

- The Risk function independently validates measurement systems and models used to assess the Group's Market Risk exposures; and provides oversight and challenge on Market Risk reporting, management strategies and other related matters.

- Per the SMCR and via the ALCo, the Chief Financial Officer is responsible for understanding and assessing the performance of the Treasury function in monitoring and controlling Market Risk within Board approved limits. The purpose of the Group's ALCo is to support the Chief Financial Officer by providing oversight and challenge in relation to principal Treasury risks including Market Risk; the ALCo has representation from various business areas including Treasury, Finance and Commercial plus the Risk function and Internal Audit.

Market Risk Capital Requirements under the Standardised Approach

The Group calculates its Pillar 1 capital requirements for Market Risk in line with the requirements of CRR. In making this calculation, the Group assesses its capital requirement against three specific areas:

- Position Risk;
- FX Risk; and
- Commodities Risk.

The Group has no requirement to hold capital for either Position Risk or Commodities Risk since it is not exposed to either of these risks. In relation to FX Risk, there is no capital requirement since the Group does not exceed the de minimis trigger which would then require Own Funds to be held.

Foreign Exchange Risk

Foreign Exchange (FX) Risk is the current or prospective risk to both earnings and economic value arising from movements in FX rates.

The Group's Risk Appetite permits investment in non-sterling denominated bonds and the Group may also raise funding from the wholesale markets in currencies other than sterling. Foreign exchange exposure may also arise through its 'Click & Collect' Travel Money product and through invoices received which are denominated in foreign currencies.

Controls and risk mitigants

Substantially all non-domestic currency exposure is hedged to reduce exposure to a minimum level, within Board approved limits. The residual exposure is not material and as such, no sensitivity analysis is disclosed.

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the current or prospective risk to both earnings and economic value arising from movements in interest rates. The main sub-types of IRRBB include gap risk (or repricing risk), basis risk and customer optionality risk.

The Group offers lending and savings products with varying interest rate features and maturities which create re-pricing mismatches and therefore potential interest rate risk exposures. The Group is therefore exposed to interest rate risk through its retail banking products as well as through its limited wholesale market activities. IRRBB is the main type of Market Risk that could affect the Group's net interest income.

Controls and risk mitigants

The main hedging instruments used to hedge IRRBB exposures are interest rate swaps; any residual exposures are then assessed against Board approved limits under various interest rate scenarios that consider changes in the level and shape of the yield curve, and changes in the relationship between different rate indexes.

The Treasury function measures and reports the Group's CaR and AEaR results to the Treasury Committee, ALCo, ERC and the Board.

Market Risk (continued)

IRRBB - Risk Measurement

The Group measures and controls its IRRBB exposures by assessing the CaR and AEaR measures against Board approved Risk Appetites. The interest rate shock scenarios considered include both parallel and non-parallel movements of the yield curve and have been designed to assess impacts across a suitable range of severe but plausible movements in interest rates.

Table UK IRRBB1 provides information on the following IRRBB measures: -

- Changes to Economic Value of Equity (ΔEVE): measures the economic value risk where equity is excluded from the cash flows and is measured by subtracting the net present value of total liabilities from the net present value of total assets. Similar to CaR, the measure is based on conditional cash flow modelling and is modelled on a run-off basis.

- Changes to Net Interest Income (ΔNII): measures changes in future interest income over a rolling 12-month period, which includes expected cash flows (such as commercial margins and other spread components) arising from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book. It is computed assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features.

For the computation of ΔEVE, commercial margins and other spread components have been excluded from both the cash flows and discount rates. The assumptions applied to estimate prepayment rates on customer loans, and early withdrawal rates on customer deposits, are based on historical experience and considers dimensions influencing such behaviours, including seasonality, and both original and residual terms.

For IRRBB modelling, Non-Maturity Deposits (NMDs) are identified and determined as either stable or non-stable based on observed customer behaviours; the stable NMD portion is the portion that is found to remain undrawn with a high degree of likelihood. Core NMDs are then the proportion of stable NMDs which are unlikely to reprice even under significant changes in the interest rate environment. NMDs are slotted into appropriate time buckets with non-core deposits considered as overnight deposits and are therefore placed into the shortest/overnight time bucket. The average repricing maturity assigned to Non-Maturity Deposits as at February 2024 was 7 months; the longest repricing maturity was 4 years.

UK IRRBB1: Quantitative information on IRRBB

	ΔEVE (£m)		ΔNII (£m)		Tier 1 capital (£m)	
	a	b	c	d	e	f
	February 2024	February 2023	February 2024	February 2023	February 2024	February 2023
Parallel shock up	(9.1)	(34.1)	(4.6)	(4.5)		
Parallel shock down	(9.2)	(4.9)	(9.9)	(11.6)		
Steepener shock	0.5	3.3				
Flattener shock	(4.7)	(12.4)				
Short rates shock up	(7.2)	(21.5)				
Short rates shock down	(1.7)	10.4				
Maximum Exposure	(9.2)	(34.1)	(9.9)	(11.6)		
Tier 1 capital					948.9	1,603.4
Maximum/Tier 1 Capital					1.0%	2.1%

Please note prior period balances have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

As at February 2024, the maximum EVE exposure was £9.2m in the parallel shock down scenario. The main driver of this sensitivity customer optionality risk (e.g. prepayment risk on Personal Loans). The reduced exposure in the parallel shock up scenario is mainly due to a change in the Group's Net Free Reserve investment. .

The maximum NII exposure was £9.9m in the parallel shock down scenario. The main driver of this sensitivity is the

Market Risk (continued)

Group's exposure to margin compression risk caused by retail deposits.

There are certain modelling assumptions used in the Group's internal view of IRRBB (CaR / AEaR) that differ from the common assumptions, referred to in Article 98(5a) of Directive 2013/36/EU, that are used in Table UK IRRBB1. The main difference concerns Net Free Reserves as described below:

- Net Free Reserves – in CaR the Group defines a net equity capital (known as Net Free Reserves) that is eligible for behavioural treatment; since equity capital has no contractual reset date, the Group determines its own investment term whereby its interest rate sensitivity is considered. This investment term assumption is approved by the Board and is intended to stabilise both earnings and economic value sensitivity as interest rates change. In the Economic Value of Equity (ΔEVE) measure, as no rate or term is applied to equity itself, it is therefore excluded from the cashflows. This results in a higher exposure to upward rate scenarios due to the removal of the NPV benefit associated with equity when applying a behavioural treatment.

Hedge accounting

The Group uses derivative financial instruments for the purpose of providing an economic hedge to its exposures to interest rate and foreign exchange risks as they arise from operating, financing and investing activities and where the risk is not mitigated by natural offsetting. Derivative financial instruments are initially recognised at fair value on the contract date and are remeasured at fair value at subsequent reporting dates. Examples of instruments used are interest rate swaps and FX forwards.

The Group designates certain hedging instruments as either fair value hedges or cash flow hedges, where it is efficient to do so and the relevant criteria are met. This attempts to match any gains or losses on the fair value of the hedged item attributable to the risk being hedged (e.g. Personal Loan or Savings portfolio) with the losses or gains on the fair value of the hedging instrument (e.g. interest rate swap) so that they are recognised in the Income Statement or Other Comprehensive Income, as appropriate, in the same accounting period. Through this matching process, the volatility in the Income Statement is either reduced or eliminated.

The Group has implemented IFRS 9 'Financial Instruments' hedge accounting requirements in respect of its fair value hedges of the Group's investment securities and its cash flow hedges. As permitted under IFRS 9, the Group has elected to continue to apply the existing hedge accounting requirements of International Accounting Standard (IAS) 39 'Financial instruments: Recognition and measurement' for its portfolio hedge accounting (i.e. on the Personal Loan and Fixed Rate Saver portfolios) until the new macro hedge accounting standard is implemented.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Income Statement as they arise.

Operational Risk

Operational Risk is the risk of a potential error, loss, harm or failure caused by ineffective or inadequately defined processes, systems failures, improper conduct, human error or from external events. Following the announcement of the proposed sale of the Group's Banking business, Management's focus will be on ensuring operational continuity throughout the period to completion.

The Group is subject to the Standardised Approach to calculate Pillar 1 operational risk capital, as outlined in the CRR.

Risk Appetite Statement

The Group's Risk Appetite is to:

- Maintain an effective control environment and limit risk events that cause material customer detriment and/or financial loss;
- Accept only a low number of material events; and
- Accept operational losses (excluding fraud) of no more than 1.6% of income.

Risk Appetite Measures

- Operational losses (non-Fraud);
- Material events (12-month average);
- Third Party performance, service and risk rating for those segmented A&B, including Third Party services supporting Important Business Services;
- Infrastructure resilience;
- Service availability;
- Information Security policy coverage and compliance;
- Important Business Services and Business Continuity; and
- Risk and control Self-Assessment overall control effectiveness.

Controls and risk mitigants

The Group's risks are assessed utilising the Risk and Control Self-Assessment process which is defined as part of the Risk Management Framework. Accountabilities are aligned to the Three Lines of Defence model. The Chief Risk Officer and the Risk function are responsible for:

- developing and maintaining the Operational Risk Policy;
- developing and maintaining the Risk Management Framework;
- working with relevant business areas to make sure that Risk Management responsibilities across the first line are understood and that those responsibilities are executed as defined in the Risk Management Framework;
- supporting relevant business areas to embed policies and controls, instilling a positive risk management culture; and
- independent monitoring, assessing and reporting on Operational Risk profiles and losses.

Operational Risk (continued)

The Risk function maintains the Risk Management Framework which defines the minimum requirements for the management of risk including the Policy Framework. A Board approved policy, is required, for each of the principal risks, unless otherwise agreed by the CRO.

Business units and functions regularly assess operational risks on an ongoing basis via a prescribed Risk and Control Self-Assessment process. Under the Risk and Control Self-Assessment process, risks are reviewed and updated on a timely basis by the business areas to reflect the risk and control environment and any material changes to internal or external reporting environments. Oversight and challenge of the Group's operational risk profile is provided by governance bodies, including the ERC and Board Risk Committee.

The operational risk scenario analysis compliments the Risk and Control Self-Assessment process and event management process to identify the forward-looking risk profile and the results are used to inform the Board's decision on any additional requirement for operational risk capital under Pillar 2.

Third party Service Providers

A significant number of services and processes are provided by third-party service providers and a key operational risk is the failure of an outsourced service provider.

The Procurement and Supplier Management Framework is embedded within the RMF and enables the Group to meet its regulatory requirements, understand and manage supplier and service risk effectively, and take a consistent approach to supplier relationships.

People

People risks are integral to the Group's RMF. This ensures appropriate visibility and management of risks associated with organisational capacity and capability, including resource attraction, retention, performance, talent and succession planning.

Minimum own funds requirements

The Group uses the Standardised Approach to calculate Pillar 1 operational risk capital, as outlined in the CRR. The following table show the operational risk own funds requirements.

UK OR1: Operational risk own funds requirements and risk weighted exposure amounts

		February 2024				
		Relevant indicator (£m)			Own funds requirements (£m)	Risk weighted exposure amount (£m)
	Banking activities	February 2022	February 2023	February 2024		
		a	b	c	d	e
1	Banking activities subject to basic indicator approach (BIA)	–	–	–	–	–
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	633.0	670.6	752.9	82.3	1,029.1
3	*Subject to TSA:*	633.0	670.6	752.9		
4	*Subject to ASA:*	–	–	–		
5	Banking activities subject to advanced measurement approaches AMA	–	–	–	–	–

Financial Crime

Financial Crime Risk is the risk of sanctions, losses or reputational damage resulting from internal or external fraud, money laundering, failure to identify sanction matches and bribery / corruption. Financial Crime is a significant driver of Operational Risk and the external threat continues to be a high priority area of risk management across the Financial Services industry.

Operational Risk (continued)

Controls and risk mitigants

The Group has a suite of policies that provide clear standards for the management of financial crime risks. The Group has a dedicated Financial Crime team that continually monitors emerging risks and threats through engaging with industry experts to identify and manage the risks. Regular updates are provided to Executive and Board level committees.

Technology Risk

Technology Risk is the risk the Group's IT architecture does not align to business objectives and that poor performance and availability impact our customers or operations. Our aim is to utilise technology effectively, deliver reliable technology solutions and to adequately maintain these solutions. Technology is a key element in providing services to our customers in a consistent and secure manner. Causes of technology outages across the industry include failure of planned change, failures in the supply chain, shadow IT risks or security events. A number of technology systems will transfer to Barclays as part of the proposed sale of the Group's Banking business. The associated risks will be managed by implementing and maintaining Transitional Service Agreements (TSAs) between the Group and Barclays for these services.

Controls and risk mitigants

The Group manages technology and technology risk in accordance with the Group's Risk Management Framework and has aligned key processes and controls with recognised industry standards such as ITIL (Information Technology Infrastructure Library). Regular reporting on technology services and technology risk is provided to the Group’s ExCo, ERC, Board Risk Committee and the Board.

During the year, the Group completed the exit of its legacy data centres, moving IT service hosting from these centres into a combination of modern, purpose-built data centres and cloud providers. This has significantly improved the resilience, agility and flexibility of the Group's IT infrastructure, reducing related risks. Additionally, work is continuing to ensure the Group's compliance with Operational Resilience regulations due to come into force in March 2025.

Information and cyber-security

The Group understands that managing Information and cyber-security risks is a critical part of operating a digital business. Its reliance on digital capabilities to meet the needs of its customers, stakeholders and shareholders means that now, more than ever, it needs to demonstrate robust, credible management of these risks. The financial services industry remains under significant threat from cyber-attacks and specifically, the Group recognises the need to identify, prioritise and manage the risks associated with accidental or malicious activity that could affect the confidentiality, integrity or availability of its systems and data.

Controls and risk mitigants

The Group's approach to managing these risks is embedded in its RMF. This framework ensures accountability and responsibility, supports sound decision-making and provides a mechanism to assess, prioritise, manage and report improvement activities. Within the framework, the Group's information and cyber-security risks, and the controls used to manage them, are aligned to globally recognised frameworks (including ISO 27000 and the National Institute of Standards and Technology's Cyber-Security Framework). The ERC and Board Risk Committee oversee management of these risks and receive regular updates on cyber-security readiness and the threats the Group faces, as well as improvement activities to ensure it provides stable, secure digital platforms to meet its strategic objectives. The Group is committed to maintaining a high standard of expertise in this area.

The Group understands the need for a strong security culture, where colleagues make good security decisions that protect customers and the Group. All employees and contractors with access to systems must complete an annual training course which sets out the expected security behaviours. Additional mandatory training is provided to colleagues with line manager responsibilities. Senior leaders are supported through spotlight sessions that are held at

Operational Risk (continued)

the ERC and Board Risk Committee and the Group regularly tests the Board's readiness to handle critical cyber-security events, simulating major incidents to ensure that the Board has confidence to act decisively and safely. The Group is committed to keeping colleagues safe at work and at home. To supplement mandatory training, the Group regularly shares relevant and timely security information with colleagues and holds open awareness sessions which focus on current and emerging threats. The Group has a cyber-security strategy. Investment in security improvements remains an area of ongoing focus, with yearly funding allocated to support ongoing improvements to capability.

The Group understands the potential impact that a digital security event may have on its operations. Specifically, it tracks a number of key digital threats to its organisation and orientates and tests many of its defences against these threats. It constantly monitors Threat Actors and their tactics, techniques and procedures to understand how these would impact its operations. The Group tracks likely impacts across its different environments to ensure risks are understood and articulated. It also conducts regular tabletop exercises with its incident teams to ensure that a digital security event would be recognised and the correct steps to contain and mitigate it taken. To counter ransomware attacks, the Group runs modern anti-malware end-point detection and response controls and a Security Operations Centre/Security Information and Event Management process to detect and respond to attacks which could lead to a ransomware infection. Alongside its crime and cyber-crime insurance policies, the Group also maintains a full cyber-response capability.

Other Principal Risks

In addition to the risks identified above, there are a number of other risks to which the Group is exposed as detailed below, and where appropriate, Pillar 2 capital is held to support these risks.

Regulatory & Conduct Risk

Regulatory Risk is the risk of poor customer outcomes, reputational damage, liability, loss or regulatory censure arising from failure to comply with the requirements of regulators or industry codes of best practice. Conduct Risk is the risk that the conduct, acts or omissions of the organisation, or individuals within the organisation, leads to customer detriment, or have an adverse effect on market stability or effective competition.

Risk Appetite Statement

The Group seeks to comply with rules and regulations. If regulatory events and breaches occur, the Group will take appropriate rectifying action on a timely basis. The Group seeks to deliver good outcomes for customers and mitigate the risk of foreseeable harm. If good outcomes are not delivered, the Group will take appropriate rectifying action on a timely basis.

Risk Appetite Measures

- Regulatory change;
- Customer or Regulatory events;
- Personal data breaches;
- Overall rating in Data Protection Officer's Data Protection Assessment; and
- Conduct outcomes.

Controls and mitigants

As part of the Group's Policy Framework, the Risk function are responsible for the Regulatory and Conduct Risk Policy which is approved by the Board, as well as for monitoring, challenge and oversight of regulatory risk and compliance across the business. Guidance and advice to enable the business to operate in a compliant manner is provided by the Risk function, first line Regulatory Advisory teams and the Legal team. The Risk function is also responsible for the Data Protection Policy which outlines the approach to compliance with data protection legislation. All staff training modules are in place which reference key policy requirements. As part of the Group's Risk Management Framework, controls are in place to support the implementation of the policies.

A Good Outcomes Framework which provides the practical measures to comply with the FCA's Consumer Duty is operated by the Outcomes and Vulnerable Customers team. This aims to ensure good customer outcomes are achieved across products and services, price and value, customer understanding and customer support. This process includes assessment of both new products and changes to products and services through periodic product reviews and regular monitoring of Customer Outcomes' management information. If poor outcomes or harm occur, this will be identified and addressed. The Risk function provides robust oversight of Customer Outcomes and the ExCo and Board review and challenge delivery of good outcomes for customers.

The Group's Legal function has responsibility for commercial legal work, regulatory legal compliance, litigation/dispute resolution matters, advising on competition law and supporting the Group's Treasury activity. The Legal team also comprises the Company Secretariat function which, in addition to its role supporting the Board and maintaining statutory books, ensures the Company complies with all applicable governance codes.

Other Principal Risks (continued)

The Group has Risk, Customer Outcomes and Pricing fora. The purpose of which, are to support the Chief Banking Officer in demonstrating reasonable steps in relation to the compliance, conduct and data protection risks inherent to the Group. Members of the Risk function are represented at these fora and responsible for oversight and challenge. Close tracking of all government and regulator correspondence in relation to both conduct and prudential impacts is also undertaken to gauge the potential impact on the Group of the economic environment, now and in the future.

Business areas manage conduct risk and use a range of management information to monitor customer outcomes. A suite of product-led conduct management information has been developed and is reviewed by senior management in the business lines. This has being enhanced to meet Consumer Duty requirements which came into effect in July 2023.

Customer outcomes are assessed as part of the development and design of new products and through annual reviews of existing products. The Risk function provides robust oversight of customer outcomes and the ERC and the Board review and challenge delivery of good outcomes for customers. Consumer Duty Board reporting on customer outcomes is being developed and managed by the Outcomes & Vulnerable Customers team.

The volume and pace of regulatory change remain high with specific focus on Consumer Duty (including Vulnerable Customers), Fraud, Payments and Operational Resilience. The Group actively engages in relevant industry consultation and closely monitors potential changes to regulatory requirements.

Pension Obligation Risk

Pension Obligation Risk is the risk relating to a firm's contractual or other liabilities relating to its pension scheme (whether established for its employees or those of a related company or otherwise). The Group is a participating employer in the Tesco PLC Pension Scheme (operated by Tesco Stores Limited) and is exposed to pension obligation risk through its obligation to the scheme. Tesco PLC has recognised the appropriate net liability of the Tesco PLC pension scheme in its statutory accounts.

Controls and mitigants

The Group undertakes an assessment of the impact of its share of the pension scheme under stress as part of its annual internal capital adequacy assessment process.

Residual Price Risk

Residual Price Risk is the risk that the fair value of a financial instrument and its associated hedge will fluctuate because of changes in market prices, for reasons other than interest rate or credit risk. The Group has equity investment securities which are held at fair value in the Statements of Financial Position.

Controls and mitigants

The Group has established appropriate hedging strategies to mitigate the interest rate and foreign exchange risks, however Residual Price Risk remains. Further information relating to the Group’s exposure to Residual Price Risk at the year end can be found in the Annual Report and Financial Statements.

https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Remuneration

Approach to Remuneration

The Group's Remuneration policy is designed to comply with the remuneration rules set out by the PRA and the FCA.

The Group structures its approach to reward based on that used across the wider Tesco Group, maintaining consistency where appropriate, but tailored to fit the financial services industry in line with both industry specific commercial need and external regulatory requirements.

The Group externally benchmarks its reward framework annually to confirm it is aligned to the market and is adequate to recruit and retain qualified and experienced staff. Reward is structured to incentivise people to meet business goals. The levels of award take into account business performance and also individual performance including effective risk management.

The Group has identified Material Risk Takers (MRTs) using criteria in the Commission Delegated Regulation (EU) 604/2014 to identify categories of staff whose professional activities have a material impact on a company's risk profile.

The list of MRTs is provided to the Remuneration Committee at each meeting.

Board Remuneration Committee

The Group has established a Board Remuneration Committee to oversee the Remuneration policy and decisions on reward for all MRTs.

The Remuneration policy is reviewed on a regular basis and agreed by the Committee prior to Board approval. To create a strong alignment between senior colleagues and Tesco shareholders, Tesco provides a significant portion of variable remuneration in Tesco shares. The policy contains a requirement asking its Board appointed executives to commit to this alignment with shareholders by building up and then retaining a required level of shareholding of 1 x salary. The CEO shareholding requirement is 2 x salary.

The Board Remuneration Committee seeks to ensure that the levels and structures of remuneration are designed to attract, retain and motivate management talent needed to run the business in a way which is consistent with the Risk Appetite and ongoing sustainability of the business and to be compliant with the applicable legislation and regulation.

The Board Remuneration Committee is appointed by the Board and during the year, consisted of a Non-Executive Director as Chair of the Committee, the Chair of the Group and two other Non-Executive Directors. Additionally, the Committee Chair provides an annual update to the Remuneration Committee of Tesco PLC in its shareholder capacity.

Members of the Board Remuneration Committee are members of either, or both of, the Group's Board Audit Committee and Board Risk Committee, which ensures that they are regularly updated on key risk and control issues relating to the Group.

The Board Remuneration Committee is supported by the People Director of the Group and a representative from the Tesco PLC Group Reward team attends meetings as appropriate. In addition, the Group's Chief Executive Officer attends meetings at the request of the Committee.

Where appropriate, the Committee also draws on external consultants to provide advice and guidance. During the year, the Committee received independent external advice from PricewaterhouseCoopers, including an independent review of the Remuneration Policy.

Remuneration (continued)

Link between pay and performance

The Remuneration Policy requires the following when determining individual remuneration arrangements to enforce the link between pay and performance:

- A combination of financial and non-financial performance measures, including risk management objectives of Tesco PLC and the Group, are used in the determination of remuneration arrangements. This ensures that decisions made within the Group are not taken for short term financial gain to the detriment of other aspects of the business.
- An appropriate combination of fixed and variable pay, benchmarked annually, ensuring the Group's fixed:variable ratios on remuneration are controlled and do not encourage inappropriate risk-taking behaviour.
- The basis of assessment for the short term bonus is adjusted for colleagues in control functions, so greater emphasis is placed on control objectives.
- Annual incentives reflect both individual performance and business performance. Business performance determines the bonus pool. Senior people also have an element of their annual incentive based on Tesco Group performance which forms part of the bonus pool.
- Maximum award levels are determined as percentages of salary, which are pre-set for the Group, based on work level. Rewards are established within this framework, and therefore there is no opportunity for an individual to benefit from increased rewards outside of this core structure.

Where under performance is identified it is managed through the performance management process and may result in reduced or zero awards.

Design characteristics of the remuneration system

The Group delivers its reward via a combination of fixed pay, variable pay and other benefits. All identified MRTs, employed by the Group, participate in the variable reward schemes.

The Group does not currently benefit from the derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3).

Fixed pay components comprise base salary, car allowance and pension contributions.

Long term incentive pay is based on the outcome of Tesco PLC measures including earnings per share, free cash flow and ESG measures.

A share-based element to the variable reward supports Long Term commitment, with the senior identified MRTs subject to levels of deferral. Shares awarded are those of Tesco PLC. Variable pay deferral levels are set at the time of award and in line with regulatory requirements.

All incentive awards include provisions for performance and risk adjustments, including the application of malus and claw-back, which are at the discretion of the Board Remuneration Committee. The following non-exhaustive list outlines the circumstances in which malus and/or clawback measures can be triggered:

- where business performance has been materially misstated;
- where a participant has contributed to serious reputational damage to the Group and or the wider Tesco Group;
- failure to comply with the Code of Business Conduct through individual behaviour which has led to serious misconduct, fraud or misstatement;

Remuneration (continued)

- an underlying incorrect figure in the Annual Report and Financial Statements of the Group which has (or other information has come to light which, had it been considered at the time, would have) affected the determination of the value of the Bonus Award;
- any error or miscalculation in respect of the value of a Bonus Award, which has resulted in an incorrect value to be delivered or to have been delivered (whether in cash or shares) to an individual; or
- there has been a significant failure in risk management or significant financial losses.

A Risk Adjustment Framework is in place to support discussions on potential adjustments to reward and a Risk Adjustment Forum is established to review reporting against the Risk Adjustment Framework and provide input to the Board Remuneration Committee in relation to risk events and other matters which may affect variable awards.

Recruitment policy for the selection of members of the management body

The Board Nomination Committee annually reviews the structure, size and composition of the Board, by evaluating the balance of skills, knowledge, experience and diversity currently in place, and makes recommendations to the Board regarding any changes.

In addition, the Board Remuneration Committee ensures that during the recruitment process, the remuneration package approach for all MRTs (including those in relation to members of the management body) aligns to Tesco PLC with differences arising only if driven by the need for regulatory compliance or if market practice for certain specialist employee skill sets is so different from Tesco PLC policy as to create significant challenges to industry competitiveness.

Following internal processes and governance, the Board Remuneration Committee is required to approve the remuneration package for new and existing MRTs. To enable recruitment, the Remuneration Committee may be asked to approve buyouts of awards such as annual bonus awards from previous employers. Where such an award is made, it is awarded on an exceptional basis and remains subject to appropriate retention, deferral, performance and recovery terms.

Information on the skills and experience of the Board is set out in the biographies on the Tesco Bank corporate website (refer to link contained in Appendix 2). This appendix also details the number of directorships held by members of the Board.

Board Diversity Policy

The Group has a Board Diversity & Inclusion Policy which has been reviewed by the Board Nomination Committee during the year prior to it being approved by the Board. The Group is fully committed to creating an inclusive culture with a mix of skills, knowledge, experience, geographical expertise and educational and professional backgrounds. In addition, the Board aims to have a mix of gender, tenure, age, ethnicity and other distinctions between Directors.

In addition, the Equal Opportunities and Diversity Policy and supporting guidance aim to ensure that there is a fair process to attract, develop and retain talent and ensure that all colleagues are afforded equal opportunities, creating a diverse and inclusive workplace that reflects the customers that the Group serves.

The Group is a Women in Finance signatory, supporting the progression of women into senior roles in the financial services sector and championing the benefits of greater diversity within business through setting a women's representation target. Signatories are required to publicly report on progress to deliver against targets in support of the accountability and transparency needed to drive change. In the last year, the Group made positive progress in improving women's representation and is focused on building a sustainable talent pipeline to ensure that it continues to develop diverse talent throughout all levels of the organisation. The figures quoted and disclosed below relate to the statutory Group which includes Tesco Underwriting. Tesco Underwriting is excluded from all other disclosures in this document since it does not meet the requirements for prudential consolidation.

Remuneration (continued)

Our most recent Women in Finance submission saw women's representation increase at Board, from 41% (2023) to 45%, and ExCo, from 40.0% (2023) to 50.0%. The Group has achieved its stretch target of 40% of women in leadership (ExCo, director or head of department) positions ahead of the 2025 targets deadline.

The Group has a target to increase ethnicity representation to 10% in the Group's leadership team by 2025. The Group has made progress towards its target to increase ethnicity representation amongst its leadership team, reaching 6% (2023: 5%) ethnicity representation by 29 February 2024.

These targets and measures align with industry norms, enabling the Group to continue to address diversity within its leadership team populations and take a holistic approach to addressing diversity throughout the organisation.

Gerard Mallon is Executive Sponsor for Inclusion and as such leads the Inclusion agenda for the Group and chairs the Inclusion Network, which consists of Sponsors and Chairs of colleague networks, the Director of People and the Organisational Effectiveness Team. He is also accountable for progress towards the Women in Finance targets.

Remuneration for MRTs

Under the PRA Rulebook: Disclosure (CRR), the Group is required to make certain aggregate quantitative disclosures regarding the remuneration of MRTs. The following tables represent the Group's disclosure for the year ended 29 February 2024. Staff whose professional activities have a material impact on the institutions' risk profile have been determined in accordance with Article 92 CRD and the Commission Delegated Regulation 2021/923 on identified staff implementing Article 94(2) CRD (identified staff).

Remuneration (continued)

UK REM1: Remuneration awarded for the financial year

			February 2024			
			a	**b**	**c**	**d**
			MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
1	Fixed Remuneration	Number of identified staff	8	3	7.5	18.0
2		Total fixed remuneration (£m)	1.0	1.8	2.4	3.7
3		Of which: cash-based (£m)	1.0	1.5	2.0	3.1
7		Of which: other forms (£m)	–	0.3	0.4	0.6
9	Variable Remuneration	Number of identified staff	–	3	7.5	17.0
10		Total variable remuneration (£m)	–	5.2	4.3	4.3
11		Of which: cash-based (£m)	–	2.4	2.1	2.4
12		Of which: deferred (£m)	–	–	–	–
UK 13a		Of which: shares or equivalent ownership interests (£m)	–	2.8	2.2	1.9
UK 14a		Of which: deferred (£m)	–	2.8	2.2	1.8
17	Total Remuneration(2+10)		**1.0**	**7.0**	**6.7**	**8.0**

			February 2023			
			a	**b**	**c**	**d**
			MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
1	Fixed Remuneration	Number of identified staff	9	3	9.5	26.0
2		Total fixed remuneration (£m)	0.8	1.8	2.3	3.3
3		Of which: cash-based (£m)	0.8	1.5	2.0	2.8
7		Of which: other forms (£m)	–	0.3	0.3	0.5
9	Variable Remuneration	Number of identified staff	–	3	8.5	24.0
10		Total variable remuneration (£m)	–	3.1	4.1	3.7
11		Of which: cash-based (£m)	–	0.6	1.2	2.1
12		Of which: deferred (£m)	–	–	–	–
UK 13a		Of which: shares or equivalent ownership interests (£m)	–	2.5	2.9	1.6
UK 14a		Of which: deferred (£m)	–	2.5	2.9	1.5
17	Total Remuneration(2+10)		**0.8**	**4.9**	**6.4**	**7.0**

Glossary of Terms

	Definition
A	
Additional Tier 1 capital (AT1)	Additional Tier 1 capital includes qualifying capital instruments such as non-cumulative perpetual preference shares and Additional Tier 1 capital securities.
Asset encumbrance	An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.
B	
Basel II	Basel II is a set of international banking regulations put forth by the Basel Committee on Bank Supervision, which levelled the international regulation field with uniform rules and guidelines. Basel II expanded rules for minimum capital requirements established under Basel I and provided the framework for regulatory review, as well as set disclosure requirements for assessment of capital adequacy of banks.
Basel III	Basel III is an international regulatory accord that introduced a set of reforms designed to improve the regulation, supervision and risk management within the banking sector.
C	
Capital conservation buffer	A capital buffer designed to ensure that banks are able to build up capital buffers outside of periods of stress which can then be drawn upon as losses are incurred.
Capital Requirements Directive (CRD)	The Capital Requirements Directive is an EU legislative package that contains prudential rules for banks, building societies and investment firms as onshored to the UK post Brexit and amended by applicable Statutory Instruments.
Capital Requirements Regulation (CRR)	The Capital Requirements Regulation is an EU law, which was onshored to the UK post Brexit and amended by relevant Statutory Instruments. The CRR aims to decrease the likelihood that banks become insolvent, reflecting Basel III rules on capital measurement and capital standards in conjunction with the PRA Rulebook.
Capital resources	Eligible capital held in order to satisfy capital requirements.
Central counterparties	Central counterparties (CCPs) are used in order to clear specified derivative transactions (predominantly interest rate swaps) thereby mitigating counterparty risk within the financial system. Positions are continuously marked and margin in the form of collateral is exchanged on at least a daily basis.
Common Equity Tier 1 capital (CET1)	The highest form of regulatory capital under CRR, comprising common shares issued, related share premium, retained earnings and other reserves less regulatory adjustments.
Countercyclical capital buffer (CCyB)	A capital buffer, determined by the regulator, which aims to ensure that capital requirements take account of the macro-economic financial environment in which banks operate. This aims to provide the banking sector with additional capital to protect it from potential future losses. In times of adverse financial or economic circumstances, when losses tend to deplete capital and banks are likely to restrict the supply of credit, the CCyB can be released by the regulator to help avoid a credit crunch.
Counterparty Credit Risk	The risk that a counterparty to a transaction will default before the final settlement of the transaction's cash flows.
Covid-19	An infectious disease caused by Coronavirus.
Credit quality step	A step in the CRR credit quality assessment scale which is based on the credit ratings applied by external credit assessment institutions. The scale is used to assign risk weightings to exposures under the Standardised Approach.
Credit conversion factor (CCF)	The CCF converts an off-balance sheet exposure to its credit exposure equivalent which is then risk weighted. Off-balance sheet exposures have a probability of becoming a credit exposure and shifting onto the balance sheet. The CCF is an estimate of this probability. The expected value of the credit exposure is derived by multiplying the CCF with the value of the off-balance sheet exposure.
Credit Risk	Credit Risk is the risk that a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Group will incur losses due to any other counterparty failing to meet their financial obligations.

Glossary of Terms (continued)

Credit risk mitigation	Techniques (such as collateral agreements) used to reduce the Credit Risk associated with an exposure.
Credit Valuation Adjustments	Adjustments to the fair value of derivative assets to reflect the credit worthiness of the counterparty
D	
Derivatives	Financial instruments whose value is based on the performance of one or more underlying assets
E	
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
External credit assessment institutions	These include external credit rating agencies such as Standard & Poor's, Moody's and Fitch.
F	
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Forbearance	Forbearance is a temporary postponement or alteration of contractual repayment terms in response to a counterparty's financial difficulties.
Funding Risk	The risk that the institution does not have sufficiently stable and diverse sources of funding.
G	
Global Systemically Important Institution (G-SII)	A financial institution whose distress or disorderly failure, because of its size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity.
I	
Impaired exposures	Exposures where it is not expected that all contractual cash flows will be collected or will be collected when they are due.
Impairment charge and impairment provisions	Provisions held on the balance sheet as a result of the raising of an impairment charge against profit for the incurred loss inherent in the lending book. Impairment provisions may be individual or collective.
Impairment losses	The reduction in value that arises following an impairment review of an asset which has determined that the asset's value is lower than its carrying value. For impaired financial assets measured at amortised cost, impairment losses are the difference between the carrying value and the present value of estimated future cash flows, discounted at the asset's original effective interest rate.
Interest Rate Risk in the Banking Book (IRRBB)	IRRBB is the current or prospective risk to both earnings and economic value arising from movements in interest rates. The main sub-types of IRRBB include gap risk (or repricing risk), basis risk and customer optionality risk.
Internal Capital Adequacy Assessment Process (ICAAP)	The institution's own assessment of the level of capital needed in respect of its regulatory capital requirements (for Credit, Market and Operational Risks) and for other risks including stress events.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The institution's own assessment of the level of liquidity needed in respect of its regulatory requirements to ensure that the Group maintains adequate liquid assets to survive a defined stress scenario for a sufficient period as defined by Risk Appetite.
International Swaps and Derivatives Association (ISDA) master agreement	A standardised contract developed by the ISDA which is used as an umbrella contract for bilateral derivative contracts.
L	
Leverage Ratio	Tier 1 capital divided by the exposure measure.
Liquidity Risk	Risk that the Group is not able to meet its obligations as they fall due. It also covers the risk that a given security cannot be traded quickly enough in the market to prevent a loss if a credit rating falls.

Glossary of Terms (continued)

LREQ firm	A firm or CRR consolidation entity, which exceeds a £50bn deposits threshold or a £10bn non-UK assets threshold, to which minimum Leverage Ratio and Leverage Ratio Capital Buffers apply.
M	
Market risk	Market Risk is defined as the risk that movements in market prices (such as interest rates and foreign exchange rates) lead to a reduction in either the Bank's earnings or economic value.
Minimum capital requirement	The minimum regulatory capital that must be held in accordance with Pillar 1 requirements for Credit, Market and Operational Risk. This is currently 8%.
MREL ratio	The MREL ratio is calculated by dividing total capital plus MREL debt by risk weighted assets.
O	
Operational Risk	Risk of a potential error, loss, harm, or failure caused by ineffective or inadequately defined processes, system failures, improper conduct, human error or from external events.
Original Exposure Method (OEM)	The method used to calculate exposure values for Counterparty Credit Risk. The method is calculated as net replacement cost plus a reduced potential future exposure.
Other Systemically Important Institution (O-SII)	Institutions that, due to their systemic importance, are more likely to create risks to financial stability. These institutions may bring negative externalities into the system and contribute to market distortions.
Over the counter derivatives	Derivatives for which the terms and conditions can be freely negotiated by the counterparties involved, unlike exchange traded derivatives which have standardised terms.
P	
Pillar 1	The first pillar of the Basel II framework sets out the minimum regulatory capital requirements (8%) for Credit, Market and Operational Risks.
Pillar 2	The second pillar of the Basel II framework, known as the Supervisory Review Process, sets out the review process for a bank's capital adequacy; the process under which supervisors evaluate how well banks are assessing their risks and the actions taken as a result of these assessments.
Pillar 2A	Pillar 2A addresses risks to an individual firm which are either not captured, or not fully captured under the Pillar 1 capital requirements applicable to all banks.
Pillar 3	The third pillar of the Basel II framework aims to encourage market discipline by setting out disclosure requirements for banks on their capital, risk exposures and risk assessment processes. These disclosures are aimed at improving the information made available to the market.
Potential Future Exposure (PFE)	The maximum expected credit exposure over a specified period of time (e.g. at a given quartile) calculated at some level of confidence.
Prudential Regulatory Authority (PRA)	Responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
PRA Rulebook	The PRA Rulebook contains provisions made by the PRA that apply to PRA-authorised firms. This includes the inclusion of additional rules required after revocation from the CRR by HMT.
R	
Regulatory capital	The capital that a bank holds, determined in accordance with the relevant regulation arising from the CRR.
Residual maturity	The length of time remaining from present date until the maturity of the exposure.
Retail Credit Risk	Retail Credit Risk is the risk that a borrower who is a personal customer will default on a debt or obligation by failing to make contractually obligated payments.

Glossary of Terms (continued)

Risk appetite	The level and types of risk that a firm is willing to assume to achieve its strategic objectives.
Risk Appetite Measures	Measures designed to monitor exposure to certain risks to ensure that exposure stays within approved Risk Appetite (see Appendix 6).
Risk Weighted Assets (RWAs)	Calculated by assigning a degree of risk expressed as a percentage (risk weight) to an exposure value in accordance with the applicable Standardised Approach rules.
S	
Securitisation	A securitisation is defined as a transaction where the payments are dependent upon the performance of a single exposure or pool of exposures, where the subordination of tranches determines the distribution of losses during the life of the transaction.
Securities financing transactions (SFTs)	The act of lending or borrowing a stock, derivative, or other security to or from an investor or firm. For the Group this represents market repo transactions and does not represent securities financing for clients.
Segment A & B suppliers	Suppliers classified as 'Material Outsourcing' or 'Material Non-Outsourcing', based on Segmentation (Inherent Risk Assessment). These Suppliers provide critical and/or high value Services to the Bank. All suppliers that are critical to Bank KCO services are in Segment A or B.
Settlement Risk	Settlement Risk is the risk that a counterparty fails to deliver a security or its value in cash in accordance with contractual agreements after the other counterparty has already delivered a security or cash value in accordance with the same agreement.
Stress testing	The term used to describe techniques where plausible events are considered as vulnerabilities to ascertain how this will impact the capital resources which are required to be held.
Special Purpose Entity	A corporation, trust, or other non-bank entity, established for a defined purpose, including for carrying on securitisation activities. Special Purpose Entities are designed to isolate its obligations from those of the originator and the holder of the beneficial interests in the securitisation.
Standardised Approach	In relation to Credit Risk, the method for calculating Credit Risk capital requirements using risk weightings that are prescribed by regulation. Standardised Approaches, following prescribed methodologies also exist for calculating Market and Operational Risk capital requirements.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.
T	
Temporary Payment Holidays	Temporary deferral of contractual repayments due from customers in respect of lending balances.
Term funding schemes	Funding schemes provided by the Bank of England which provide participating banks and building societies with funding at interest rates close to Bank Rate. The Group has specifically utilised both the original Term Funding Scheme (TFS) and the more recent Term Funding Scheme with additional incentives for SMEs (TFSME).
Tier 1 capital	A component of regulatory capital, comprising Common Equity Tier 1 capital and Additional Tier 1 capital. Additional Tier 1 capital includes qualifying capital instruments such as non-cumulative perpetual preference shares and Additional Tier 1 capital securities.
Tier 2 capital	A component of regulatory capital, comprising qualifying subordinated loan capital and related non-controlling interests.
W	
Wholesale Credit Risk	The risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial derivative instruments, securities financing transactions and long dated settlement transactions.
Wrong Way Risk	The risk that arises from the correlation between a counterparty exposure and the credit quality of the counterparty. The risk that the probability of default increases with exposure.

Appendix 1: Board Risk Statement and Declaration

The Group's purpose is to serve its customers, communities and planet a little better every day. The Group operates with a strong customer centric focus providing simple, transparent products which aim to deliver value for customers pursuing this within a defined Risk Appetite. The Risk Appetite comprises a set of Risk Appetite Statements aligned to each of the principal risks to which the business is exposed and which are underpinned by corresponding Risk Appetite Measures with agreed triggers and limits.

The Group is exposed to the following principal risk categories:

- Capital Risk;
- Liquidity and Funding Risk;
- Credit Risk;
- Market Risk;
- Operational Risk; and
- Regulatory and Conduct Risk.

Risk Appetite Measures are used by the Group to support the overarching objective to manage risk within prescribed limits. Risk Appetite Measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. The Group's Risk Appetite and Measures are discussed throughout the document with the principle measures disclosed in tables UK OV1 and UK KM1.

The impact of the changes to the economic environment on the Group, most materially in relation to Credit and Operational Risk, is detailed throughout these disclosures.

The Group's transactions with related parties are disclosed in the Annual Report and Financial Statements which are published on the corporate website at:

https://bank.tescoplc.com/financial-information/accounts-and-disclosures

The Board of Directors is ultimately responsible for reviewing the effectiveness of the Group's Risk Management Framework and systems of financial and internal controls. These are designed to manage rather than eliminate the risks of not achieving business objectives, and, as such, offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that the Group has in place adequate systems and controls and Liquidity Risk management arrangements with regard to the Group's profile and strategy and an appropriate array of assurance mechanisms to manage risk within appetite.

Appendix 2: Analysis of the Number of Directorships held by Members of the Board

The following breakdown shows the number of directorships held by members of the Group as at 29 February 2024:

Name	Position within Tesco Personal Finance Group plc	Changes in the year	Executive	Non-Executive
Jacqueline Ferguson	Independent Non-Executive Chair		0	5
Elizabeth Buckley	Independent Non-Executive Director		0	4
Julie Currie	Independent Non-Executive Director		0	3
Robert Endersby	Senior Independent Non-Executive Director		0	2
Prasanna Gopalakrishnan	Independent Non-Executive Director		1	1
Richard Henderson	Chief Financial Officer		1	0
Simon Machell	Independent Non-Executive Director		0	4
Gerard Mallon	Chief Executive Officer		1	1
Adrian Morris	Non-Executive Director		1	1
Tikendra Patel	Independent Non-Executive Director		1	1
Deborah Walker	Chief Risk Officer		1	0

Multiple directorships within the same group are treated as a single role, in line with CRD rules. On a temporary basis, Jacqueline Ferguson has exceeded the permitted number of non-executive director positions permitted by CRD rules. Jacqueline will step down as a Non-Executive Director from the Board of John Wood Group PLC with effect from May 2024 bringing her back within the permitted number.

Information on the skills and experience of the Members of the Board is set out in their biographies on the Tesco Bank corporate website:

https://bank.tescoplc.com/about-us/board-and-exec/board/

Amanda Rendle resigned from her role on the Board on 31st May 2023.

Simon Machell's tenure on the Board exceeded nine years in November 2022. Under Provision 10 of the UK Corporate Governance Code 2018 (2018 Code), the Board has the opportunity to explain why Simon is still considered to be independent. Simon continues to be a valued member of the Board, with extensive insurance experience and, whilst he has been on the Board since 2013, the Board considers that he continues to exercise his objectivity, independent judgement and challenge in a manner aligned with that of an independent non-executive director. Simon remains independent of Management and continues to hold other directorships outside of the Group, further supporting his independence. Given the recent agreement of the proposed sale of the Group's Banking business to Barclays and the changing nature of the Group's business, the Board considers that it is important for Simon to remain on the Board to support completion of the sale and the establishment and embedding of the remaining business

Robert Endersby's tenure on the Board exceeded nine years in December 2023. Under Provision 10 of the 2018 Code, the Board has the opportunity to explain why Robert is still considered to be independent. Robert continues to be a valued member of the Board, with extensive banking and risk management experience and, whilst he has been on the Board since 2014, the Board considers that he continues to exercise his objectivity, independent judgement and challenge in a manner aligned with that of an independent non-executive director. Robert remains independent of Management and continues to hold another non-executive director role outside of the Group, further supporting his independence. Given the recent agreement of the proposed sale of the Group's Banking business to Barclays and the changing nature of the Group's business, the Board considers that it is important for Robert to remain on the Board to support the completion of the sale and the establishment and embedding of the remaining business.

Appendix 3: Disclosures excluded from current reporting

The following tables have not been completed as part of the Group's Pillar 3 disclosures. The rationale for exclusion is detailed below. These tables will be reviewed on an annual basis to determine if these should be continued to be excluded in future periods.

Table	Table Name	Rationale for exclusion
UK INS1	Insurance participations	The Group does not have relevant permission
UK INS2	Financial conglomerates information on own funds and capital adequacy ratio	The Group does not meet the financial conglomerate classification
UK PV1	Prudent valuation adjustments (PVA)	PVA is reported under the simplified method
UK CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Only required for institutions with Non-performing ratio of greater than 5%, the Group has not breached the 5% non performing threshold which triggers the requirement to make this disclosure
UK CQ1	Credit quality of forborne exposures	The table is nil as all balances are treated as held-for-sale in relation to the proposed sale of the Group's Banking business in line with FINREP definitions
UK CQ2	Quality of forbearance	Only required for institutions with Non-performing ratio of greater than 5%, the Group has not breached the 5% non performing threshold which triggers the requirement to make this disclosure
UK CQ4	Quality of non-performing exposures by geography	Only required for institutions with exposures in non-domestic countries of greater than 10% of total exposures, the Group has not breached the 10% non-domestic exposure which triggers the requirement to make this disclosure
UK CQ6	Collateral valuation - loans and advances	Only required for institutions with Non-performing ratio of greater than 5%, the Group has not breached the 5% non performing threshold which triggers the requirement to make this disclosure
UK CQ7	Collateral obtained by taking possession and execution processes	The Group do not undertake the activities detailed in this template
UK CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	The Group do not undertake the activities detailed in this template
UK CR6	IRB approach – Credit risk exposures by exposure class and PD range	The Group does not use IRB approach
UK CR6A	Scope of the use of IRB and SA approaches	The Group does not use IRB approach
UK CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	The Group does not use IRB approach
UK CR7A	IRB approach – Disclosure of the extent of the use of CRM techniques	The Group does not use IRB approach
UK CR8	RWEA flow statements of credit risk exposures under the IRB approach	The Group does not use IRB approach
UK CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	The Group does not use IRB approach
UK CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	The Group does not use IRB approach
UK CR10	Specialised lending and equity exposures under the simple risk weighted approach	The Group does not undertake the specialised lending activities detailed in this template
UK CCR4	IRB approach – CCR exposures by exposure class and PD scale	The Group does not use IRB approach
UK CCR 5	Composition of collateral for CCR exposures	The Group does not meet the collateral thresholds to report this table
UK CCR6	Credit derivatives exposures	The Group does not hold credit derivatives
UK CCR7	RWEA flow statements of CCR exposures under the IMM	The Group does not use internal models
UK SEC2	Securitisation exposures in the trading book	The Group does not have a trading book
UK SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	The Group does not achieve Significant Risk Transfer
UK SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	The Group does not achieve Significant Risk Transfer
UK MR1	Market risk under the standardised approach	The Group does not recognise any balances for Market Risk under the Standardised approach since FX exposure are under de minimis
UK MR2A	Market risk under the internal Model Approach (IMA)	The Group does not use internal models
UK MR2B	RWA flow statements of market risk exposures under the IMA	The Group does not use internal models
UK MR3	IMA values for trading portfolios	The Group does not use internal models
UK MR4	Comparison of VaR estimates with gains/losses	The Group does not use internal models
UK REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	As a Small, listed CRR firm (Remuneration), the Group is not required to make this disclosure.
UK REM3	Deferred remuneration	As a Small, listed CRR firm (Remuneration), the Group is not required to make this disclosure.
UK REM4	Remuneration of 1 million EUR or more per year	As a Small, listed CRR firm (Remuneration), the Group is not required to make this disclosure.
UK REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	As a Small, listed CRR firm (Remuneration), the Group is not required to make this disclosure.

Appendix 4: IFRS 9-FL: Comparison of institutions' Own Funds and Capital and Leverage Ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

The following table shows key Own Funds and Leverage metrics on both an IFRS 9 transitional and end point basis.

		February 2024 £m	February 2023 £m
	Available capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	799.3	1,603.4
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	794.4	1,527.7
3	Tier 1 capital	948.9	1,603.4
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	944.0	1,527.7
5	Total capital	1,141.9	1,796.4
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,137.0	1,720.7
	Risk weighted assets (amounts)		
7	Total risk weighted assets	7,229.1	7,059.4
8	Total risk weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,225.4	7,025.9
	Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	11.1%	22.7%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.0%	21.7%
11	Tier 1 (as a percentage of risk exposure amount)	13.1%	22.7%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.1%	21.7%
13	Total capital (as a percentage of risk exposure amount)	15.8%	25.4%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.7%	24.5%
	Leverage Ratio		
15	Leverage Ratio total exposure measure	10,158.7	9,904.9
16	Leverage Ratio	9.3%	16.2%
17	Leverage Ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.3%	15.5%

Please note balances for February 2023 have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Appendix 5: Tesco Personal Finance plc Capital Resources, Capital Requirements and Leverage Ratio

In accordance with PRA Rulebook: Disclosure (CRR) Part, Chapter 2, Rule 2.3, this Appendix sets out the reduced Pillar 3 disclosures of Tesco Personal Finance plc (the Company), the significant subsidiary of the Group.

UK CC1: Composition of regulatory own funds

	Common Equity Tier 1 Capital: Instruments and Reserves	February 2024 £m	February 2023 £m
1	Capital instruments and the related share premium accounts	**1,069.9**	**1,219.9**
	of which: ordinary share capital	*1,069.9*	*1,219.9*
2	Retained earnings	165.5	414.2
3	Accumulated other comprehensive income (and other reserves)	22.9	20.5
UK 5a	Independently reviewed interim profits net of any foreseeable charge or dividend	(339.8)	1.3
6	Common Equity Tier 1 capital before regulatory adjustments	**918.5**	**1,655.9**
	Common Equity Tier 1 capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–	(0.1)
8	Intangible assets (net of related tax liability) (negative amount)	(19.4)	(108.8)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	–	(0.1)
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) (negative amount)	(94.1)	(27.4)
22	Amount exceeding the 17,65% threshold (negative amount)	(21.3)	–
23	of which: 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	(13.8)	–
25	of which: deferred tax assets arising from temporary differences	(7.5)	–
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	4.9	75.3
28	Total regulatory adjustments to Common Equity Tier 1	**(129.9)**	**(61.1)**
29	Common Equity Tier 1 capital	**788.6**	**1,594.8**
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	150.0	–
31	of which: classified as equity under applicable accounting standards	150.0	–
36	Additional Tier 1 capital before regulatory adjustments	150.0	–
42a	Other regulatory adjustments to AT1 capital	(0.4)	–
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	(0.4)	–
44	Additional Tier 1 (AT1) capital	149.6	–
45	Tier 1 capital (Tier1 + Common Equity Tier 1 + Additional Tier 1)	**938.2**	**1,594.8**
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	235.0	235.0
50	Credit risk adjustments	–	–
51	Tier 2 capital before regulatory adjustments	**235.0**	**235.0**
	Tier 2 capital: regulatory adjustments		
55	Direct, indirect and synthetic 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) (negative amount)	(42.0)	(42.0)
57	Total regulatory adjustments to Tier 2 capital	**(42.0)**	**(42.0)**
58	Tier 2 capital	**193.0**	**193.0**
59	Total capital (Total Capital = Tier 1 + Tier 2)	**1,131.2**	**1,787.8**
60	Total Risk exposure amount	**7,223.6**	**7,057.1**
	Capital ratios and buffers		
61	Common Equity Tier1 (as a % of total risk exposure amount)	**10.9%**	**22.6%**
62	Tier 1 (as a % of total risk exposure amount)	**13.0%**	**22.6%**
63	Total capital (as a % of total risk exposure amount)	**15.7%**	**25.3%**
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.0%	8.0%
65	of which: capital conversation buffer requirement	2.5%	2.5%
66	of which: countercyclical buffer requirement	2.0%	1.0%
68	Common Equity Tier 1 available to meet buffers (as a % of risk exposure amount)	2.9%	14.6%
	Amounts below the thresholds for deduction (before risk weighting)		
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 17.65% thresholds and net of eligible short positions)	76.1	156.7
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	41.4	–

Please note balances for February 2023 have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Appendix 5: Tesco Personal Finance plc Capital Resources, Capital Requirements and Leverage Ratio (continued)

UK OV1: Overview of risk weighted exposure amounts

		February 2024 Risk weighted exposure amounts (RWEAs) £m	February 2023 Risk weighted exposure amounts (RWEAs) £m	February 2024 Total own funds requirements £m
1	**Credit Risk (excluding CRR)**	**5,900.6**	**5,612.2**	**472.0**
2	Of which Standardised Approach	5,900.6	5,612.2	472.0
6	**Counterparty Credit Risk - CCR**	**0.7**	**3.1**	**–**
7	Of which Standardised Approach	–	–	–
8	Of which internal model method (IMM)	–	–	–
UK 8a	Of which exposures to a CCP	0.4	0.3	–
UK 8b	Of which credit valuation adjustment - CVA	0.2	0.1	–
9	Of which other CCR	0.1	2.7	–
23	**Operational Risk**	**1,028.4**	**968.8**	**82.3**
UK 23b	Of which Standardised Approach	1,028.4	968.8	82.3
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	**293.9**	**473.0**	**23.5**
29	**Total**	**7,223.6**	**7,057.1**	**577.8**

Leverage Ratio

UK LRSum: Summary reconciliation of accounting assets and Leverage Ratio exposures

		February 2024 Applicable Amounts £m	February 2023 Applicable Amounts £m
1	Total assets as per published financial statements	9,719.6	9,150.6
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	–	–
4	(Adjustment for exemption of exposures to central banks)	(633.4)	(307.9)
7	Adjustment for eligible cash pooling transactions	–	–
8	Adjustment for derivative financial instruments	(65.6)	(107.7)
9	Adjustments for securities financing transactions "SFTs"	–	17.4
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,285.0	1,221.2
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	–	–
UK 11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	–	–
UK 11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	–	–
12	Other adjustments	(151.8)	(71.6)
13	**Total exposure measure**	**10,153.8**	**9,902.0**

Please note February 2023 balances have been restated following the retrospective adoption of IFRS 17 in the current year and following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Appendix 5: Tesco Personal Finance plc Capital Resources, Capital Requirements and Leverage Ratio (continued)

UK LRCom: Leverage Ratio common disclosure

		February 2024 CRR Leverage Ratio exposures £m	February 2023 CRR Leverage Ratio exposures £m
On-balance sheet exposures (excluding derivatives and securities financing transactions "SFT"s)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	9,615.1	9,018.5
6	Asset amounts deducted in determining Tier 1 capital	(130.1)	(60.9)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**9,485.0**	**8,957.6**
Derivative exposures			
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0.1	0.3
UK-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	17.1	13.4
	Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
13	**Total Derivative exposure**	**17.2**	**13.7**
Securities financing transaction exposures			
16	Counterparty Credit Risk exposure for SFT assets	–	–
UK-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e (5) and 222 of the CRR	–	17.4
18	**Total securities financing transaction exposures**	**–**	**17.4**
Other off-balance sheet exposures			
19	Other off-balance sheet exposures at gross notional amount	12,849.5	12,212.0
20	Adjustments for conversion to credit equivalent amounts	(11,564.5)	(10,990.8)
22	**Off-balance sheet exposures**	**1,285.0**	**1,221.2**
Capital and total exposures			
23	Tier 1 capital (leverage)	**938.2**	**1,594.8**
24	Total exposure measure including claims on central banks	10,787.2	10,209.9
UK-24a	(-) Claims on central banks excluded	(633.4)	(307.9)
UK-24b	**Total exposure measure excluding claims on central banks**	**10,153.8**	**9,902.0**
Leverage Ratio			
25	Leverage ratio excluding claims on central banks (%)	9.2%	16.1%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	9.2%	15.5%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	9.2%	16.1%
UK-25c	Leverage ratio including claims on central banks (%)	8.7%	15.6%

Please note balances for February 2023 have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

UK LRSpl: Leverage Ratio: Split-up of on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures)

		February 2024 CRR Leverage Ratio exposures £m	February 2023 CRR Leverage Ratio exposures £m
UK-1	Total on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures), of which:	9,615.1	9,018.5
UK-3	Banking book exposures, of which:	9,615.1	9,018.5
UK-4	Covered bonds	423.1	374.8
UK-5	Exposures treated as sovereigns	1,165.8	936.6
UK-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0.7	2.3
UK-7	Institutions	84.3	92.4
UK-9	Retail exposures	7,343.1	7,048.9
UK-10	Corporates	36.2	35.1
UK-11	Exposures in default	82.8	91.7
UK-12	Other exposures (e.g. equity, securitisation, and other non-credit obligation assets)	479.1	436.7

Please note balances for February 2023 have been restated following the recognition by the Group of a provision in respect of identified instances where the requirements for the provision of certain administrative post-contractual documentation to customers with CCA-regulated products have not been fully met.

Appendix 6: Risk Appetite Measures

Measures designed to monitor exposure to certain risks to ensure that exposure stays within approved Risk Appetite:

Risk Appetite Measure	Calculation / Explanation
Annual Earnings at Risk (AEaR)	Changes in interest rates affect the Group's earnings by altering interest rate-sensitive income and expenses. Excessive interest income sensitivity can pose a threat to the Group's current capital base and / or future earnings.
Asset Encumbrance Ratio	This ratio measures the proportion of the Bank's assets that are encumbered, either in support of funding activities or pledged as collateral to a third party.
Bad Debt to Asset Ratio	A measure of the impairment charge over the last 12-months as a proportion of the average balances for Cards and Loans, compared to expectations from increased losses set relative to the latest budget.
Capital at Risk (CaR)	Capital at Risk is an economic-value measure which assesses sensitivity to a reduction in the Bank's capital to movements in interest rates. When interest rates change, the present value and timing of future cash flows change. This changes the underlying value of a bank's assets, liabilities and off-balance sheet items and its economic value, which in turn poses a threat to the capital base.
Conduct outcomes	Number of Conduct Outcomes rated as Amber or Red.
Customer or Regulatory Events	Open events customer or regulatory (Category 4 & 5 on the Impact matrix).
Higher risk concentrations and demographics	We recognise that some demographic and product level segments exhibit higher risk behaviours. As a result of this we have concentration limits in place to control exposure to these segments both on a single and in some cases on a combination basis.
Important Business Services and Business Continuity	Important Business Services that have breached their Impact Tolerance in the last month. Worst RAG status of critical business areas' readiness Self-Assessment Score.
Infrastructure Resilience	Number of material Single Point Failure risks at the end of the reporting month. Percentage of critical services in place and proved at the end of the reporting month. Volume of testing undertaken which remains in a failed position as at the end of the quarter.
Internal Liquidity Requirement (ILR)	The ILR is the Group's own assessment of liquidity requirements based on surviving a defined stress scenario for a 90-day period.
Information Security policy coverage and compliance	Assessment of people, process and technology to provide confidence in our compliance and coverage.

Appendix 6: Risk Appetite Measures (continued)

Risk Appetite Measure	Calculation / Explanation
Material events (12-month average)	12 month average number of material events raised (Category 4 & 5 on the Impact matrix).
Minimum eligible collateral floor (MECF)	The floor requires that the Group hold a minimum amount of contingent liquidity in the form of high-quality collateral, for use in BOE facilities or Bank repo. This ensures the Group can generate funding in a liquidity stress event and therefore supports its financial resilience. Any excess collateral over and above the MECF is available to use for BAU purposes.
Net open currency position	Limits the risk of adverse movements in foreign exchange rates.
Net Stable Funding Ratio (NSFR)	Available Stable Funding / Required Funding
Operational losses (Non-Fraud)	Total Non-fraud losses as a % of income (12-month average)
Overall rating in Data Protection Officer's Data Protection Assessment	Overall rating, based on quantitative and subjective measures assessing 10 data protection compliance statements.
Personal data breaches	Number of open data protection events with medium materiality impact. (Category 3 on the Impact Matrix).
Regulatory Capital	Monitors headroom, above Regulatory Capital Requirements (Total Capital Requirement plus Regulatory Buffers) on an all profits basis to allow early action to address potential shortfalls.
Regulatory Change	Number of regulatory programmes with Red status
Risk and Control Self-Assessment overall control effectiveness	Percentage of Risks with control effectiveness rated as Red compared to all Risks identified through the RCSA process as at the end of the reporting month.
Service Availability	Percentage availability of critical services.
Statutory Profit/Loss under a severe but plausible stress scenario (Profit Volatility)	Compares stress test results to the current LTP over the horizon of the plan. This allows the Group to test and shape its plan to ensure that it is sufficiently resilient to a stress.
Third-Party performance, service and risk rating for those segmented A&B including Third-Party Services supporting Important Business Services.	Percentage of Third-Party services supporting a Important Business Service for which contracts do not support Impact Tolerance requirements. Number of Third Parties segmented as Critical and Important (Seg A or B) with a consistent financial score below the Tesco Bank Minimum Threshold (> 4 weeks) and a Probability of Failure score >2%. Number of Third-Party suppliers supporting Important Business Services without Stressed Exit Plans or where plans have not been tested in accordance with Third Party Management Framework. Percentage of Third-Party services supporting Important Business Services with control assessment risks above material control assessment risks. Percentage of Third-Party services supporting Important Business Services that have not had control assessments performed by relevant SMEs in line with the frequency defined in the Third-Party Management Framework. Number of Third-Party providers who do not agree to the annual Code of Conduct for Third Parties or attest that their code of conduct is aligned to the Bank's Code of Conduct for Third Parties.

Appendix 6: Risk Appetite Measures (continued)

Risk Appetite Measure	Calculation / Explanation
Total Liquidity Requirement (TLR)	Encompasses the regulatory Liquidity Coverage Ratio (LCR) and any Pillar 2 add-on prescribed by the PRA.
Unencumbered Assets to Retail Liabilities Ratio	The Group maintains a surplus of unencumbered assets relative to the total amount of retail liabilities at all times.

Appendix 7: CRR Mapping

The following table shows how the Group have complied with the disclosure requirements of the Disclosure (CRR) Part of the PRA Rulebook.

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Scope of disclosure requirements		
431 (1)	Requirement to publish Pillar 3 disclosures	Tesco Personal Finance Group plc Pillar 3 Disclosures For the Year Ended 29 February 2024
431 (2)	Firms with permission to use specific methodologies must disclose information associated with those methodologies	Not applicable: The Group does not use the IRB, Advanced Measurement Approaches or Internal Market Risk Models
431 (3)	Institutions are required to have a formal policy setting out its approach to Pillar 3 disclosures, specifically in relation to: - Appropriateness of disclosures in conveying the risk profile of the business; - Approach to verification; - Written Attestation	Page 6- Disclosure Policy Page 6- Verification and Medium
431 (4)	Relevant information to be provided to allow users to understand both current disclosures and significant changes in information contained in previous disclosures	Page 8 - Business Developments: - Proposed sale of the Group's Banking business to Barclays Bank UK plc - Effect on the Group's Capital - Effect on the Group's Liquidity - Effect on the Group's business
431 (5)	Institutions shall, if requested explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked	Not applicable - The Group's main lending exposure is in the personal Retail market; the Group does not participate in SME Lending
Non material, proprietary or confidential information		
432 (1)	The Group may choose to omit one or more of the disclosure requirements set out in Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021 so long as the omission is not material and does not relate to: - Diversity - Own Funds - Remuneration Should the Group choose to use this waiver, it must disclose that it has done so, the reasons for the decision not to disclose and instead provide more general information in respect of the disclosure requirement. It must assess the decision on a regular basis at least once a year; and assess the need for both qualitative & quantitative disclosure	Page 7 - Use of Disclosure Waivers
432 (2)	The Group may also choose to not disclose information on the grounds that it is proprietary or confidential if certain conditions are met	Page 7 - Use of Disclosure Waivers
432 (3)	If the Group decide to omit a disclosure, the Pillar 3 document should report the fact that the specific items of information are not disclosed, the reason for non-disclosure, and publish more general information about the subject matter of the disclosure requirement	Not applicable - the Group has not made use of any Disclosure Waivers
Frequency of disclosure		
433	Institutions shall publish the disclosures required by Disclosure (CRR) Part of the PRA Rulebook (CRR) at least on an annual basis Annual disclosures shall be published in conjunction with the date of publication of the financial statements	The Group publishes disclosures in conjunction with the TPFG plc Annual Report & Financial Statements.
433 (a)	Large Institutions are required to publish all disclosures required by Part Eight of the CRR on an annual basis, with some disclosures also being required on a semi-annual or quarterly basis	Not applicable - the Group does not meet the requirements of a Large Institution
433 (b)	Small and non-complex institutions shall only disclose specific key disclosures on an annual basis	Not applicable - the Group does not meet the requirements of a Small and non-complex Institution
433 (c)	Institutions which do not meet the requirements of Articles 433(a) or 433(b) will be treated as an Other institution and will be required to complete all disclosures on an annual basis and key metrics on a semi-annual basis, unless the institution is non-listed Additional disclosures required for LREQ firms	The Group meets the definition of an Other institution and will complete all relevant disclosures Page 6 - Frequency of Disclosure Additional LREQ disclosures are not applicable since the Group does not meet the criteria

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Means of disclosures		
434 (1)	Institutions shall disclose all information required in electronic format in a single medium or location	Page 6- Verification and Medium The Group's disclosures are published on the Tesco Bank corporate website
434 (2)	Institutions shall disclose required information on their website or appropriate location. Relevant archived information should also be available	Page 6- Verification and Medium The Group's disclosures are published on the Tesco Bank corporate website with previous period disclosures
434b	G-SIIs shall disclose the information required by Article 411 within 4 months of period end. This can be disclosed in a separate medium or location.	Not applicable - The Group are not a G-SII
Risk management objectives and policies		
435 (1)	Disclose information on:	
435 (1) (a)	the strategies and processes to manage risks	Page 13- Risk Management Page 16- Three lines of Defence Page 17 Policy Frameworks and supporting risk management tools
435 (1) (b)	the structure and organisation of the risk management function	Page 13- Risk Management Page 16- Three lines of Defence Page 17 Policy Frameworks and supporting risk management tools
435 (1) (c)	Risk reporting and measurement systems	Page 13- Risk Management Page 16- Three lines of Defence Page 17 Policy Frameworks and supporting risk management tools
435 (1) (d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Page 13- Risk Management Page 16- Three lines of Defence Page 17 Policy Frameworks and supporting risk management tools Throughout document under 'Controls and risk mitigants'
435 (1) (e)	a declaration approved by the management body on the adequacy of risk management arrangements of the institution	Appendix 1 - Board Risk Statement and Declaration
435 (1) (f)	a concise risk statement approved by the management body	Appendix 1 - Board Risk Statement and Declaration
435 (2)	Disclose information on:	
435 (2) (a)	the number of directorships held by members of the management body	Appendix 2 - Analysis of the Number of Directorships held by Members of the Board
435 (2) (b)	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	Page 73 - Remuneration Board biographies link contained in Appendix 2 - Analysis of the Number of Directorships held by Members of the Board
435 (2) (c)	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved	Page 73 - Remuneration
435 (2) (d)	whether or not the institution has set up a separate risk committee and the number of times the risk committee has met	Page 13 to 15 - Governance Structure
435 (2) (e)	the description of the information flow on risk to the management body	Risk Appetite Measures described throughout the document Page 13 details Board feedback re information provided to ensure that reporting remains fit for purpose

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Scope of Application		
436	Disclose the following information:	
436 (a)	the name of the institution	Document front cover Page 1 - Introduction and Basel Framework
436 (b)	an outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: (i) fully consolidated; (ii) proportionally consolidated; (iii) deducted from own funds; (iv) neither consolidated nor deducted;	Page 8 - Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures Page 8 - Comparability
436 (c)	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation and regulatory risk categories	Table UK LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories
436 (d)	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation	Table UK LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements
436 (e)	breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment	Page 24 - Notes for UK CC1: Composition of regulatory own funds
436 (f)	Impediments to transfer of own funds between subsidiaries	Page 12 - Restrictions on the Transfer of Own Funds
436 (g)	Capital shortfalls in any subsidiaries outside of the scope of consolidation	Not applicable - the Group does not have any capital shortfalls in subsidiaries outside of the scope of consolidation.
436 (h)	Whether the institution has made use of the articles on derogations from: - Prudential requirements - Liquidity requirements for individual subsidiaries or entities	Not applicable - the Group has not made use of the articles on derogation from prudential requirements or liquidity requirements for individual subsidiaries or entities.
Own funds		
437	Disclose the following information regarding own funds:	
437 (a)	a full reconciliation of CET1 items, AT1 items, Tier 2 items and filters and deductions applied to own funds of the institution with the balance sheet in the audited financial statements of the institution	Page 8 - Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures Table UK CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements
437 (b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution	Appendix 8: UK CCA: Capital Instrument Key Features
437 (c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	Appendix 8: UK CCA: Capital Instrument Key Features
437 (d)	disclosure of the nature and amounts of the prudential filters and deductions made against own funds and items not deducted	Page 23- Own Funds Table UK CC1: Composition of regulatory own funds
437 (e)	a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply	Page 23- Own Funds Table UK CC1: Composition of regulatory own funds
437 (f)	an explanation where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down by the CRR	Not applicable - the Group has not calculated any ratios using elements of own funds determined on a basis other than that laid down by the CRR.
437 a	additional disclosure for Own Funds and Eligible liabilities for institutions subject to Articles 92a or 92b	Not applicable - the Group is not a Globally Systemic Important Institution

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Capital requirements		
438	Disclose the following information:	
438 (a)	a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities	Page 20 - Capital Management
438 (b)	Own Funds requirements based on the supervisory review and evaluation process	Page 20 - Capital Management
438 (c)	Upon demand the result of the institution's internal capital adequacy assessment process	Individual Capital Adequacy Assessment Process would be provided on request
438 (d)	Own Funds requirements and risk weighted exposures broken down by risk categories	Page 20 - Capital Requirements Table UK OV1: Overview of risk weighted exposure amounts
438 (e)	on and off-balance sheet exposures related to specialised lending and equity	The Group does not participate in specialised lending Page 53 - Non Trading Book Exposures in Equities Table CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
438 (f)	Own Funds requirements and risk weighted exposures held in any insurance undertaking, reinsurance undertaking or insurance holding company	Page 53- Non Trading Book Exposures in Equities Table UK CR4: Standardised Approach - Credit risk exposure and CRM effects
438 (g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate	Not applicable - the Group is currently not classed as a financial conglomerate
438 (h)	variations resulting from the use of internal models	Not applicable - the Group does not use internal models
Exposure to Counterparty Credit Risk (CCR)		
439	Disclose the following information:	
439 (a)	a description of the methodology used to assign internal capital and credit limits for CCR exposures	Page 54 - Counterparty Credit Risk (CCR)
439 (b)	description of policies for securing collateral and establishing credit reserves	Page 54 - Counterparty Credit Risk (CCR)
439 (c)	description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk exposures	Page 41 - Wrong Way Risk
439 (d)	the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating	Page 54 - Counterparty Credit Risk under the Simplified Standardised Approach
439 (e)	breakdown of segregated and unsegregated collateral received and posted for derivative transactions	N/A under threshold for Table UK CCR5 - Composition of collateral for CCR exposures
439 (f)	impact of Credit Risk Mitigation on derivative transactions	Table UK CCR1 – Analysis of CCR exposure by approach
439 (g)	impact of Credit Risk Mitigation on securities financing transactions (SFT's)	Table UK CCR1 – Analysis of CCR exposure by approach
439 (h)	impact of Credit Risk Mitigation on credit valuation adjustment values	Table UK CCR1 – Analysis of CCR exposure by approach
439 (i)	exposure value to central counterparties	Table UK CCR8 – Exposures to CCPs
439 (j)	notional amounts of credit derivative transactions	Not applicable - the Group has no exposure to credit derivatives
439 (k)	estimate of alpha	Not applicable - the Group does not use IMM methodologies
439 (m)	on and off-balance sheet derivatives for institutions using: Simplified standardised approach for Counterparty Credit risk or Original Exposure method	Table UK CCR1 – Analysis of CCR exposure by approach

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Capital buffers		
440	Disclose the following information:	
440 (a)	geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer	Page 27 - The Group's Countercyclical Capital Buffer Disclosure Table UK CCyB1: Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Capital Buffer
440 (b)	the amount of its institution specific countercyclical capital buffer	Page 27 - The Group's Countercyclical Capital Buffer Disclosure Table UK CCyB2: Amount of institution specific countercyclical capital buffer
Indicators of global systemic importance		
441	disclosures of the indicators of global systemic importance	Not applicable - the Group is not a Globally Systemic Important Institution
Credit risk adjustments		
442	Disclose the following information:	
442 (a)	the definitions for accounting purposes of “past due” and “impaired” and differences, if any, between accounting and regulatory definitions	Page 43 - Past Due, Impaired Assets and Provisions No differences between accounting and regulatory definitions
442 (b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments	Page 43 - Past Due, Impaired Assets and Provisions
442 (c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Table UK CQ1: Credit quality of forborne exposures Table UK CR1: Performing and non-performing exposures and related provisions.
442 (d)	an ageing analysis of accounting past due exposures	Table UK CQ3: Credit quality of performing and non-performing exposures by past due days
442 (e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off- balance-sheet exposures	Table UK CR1: Performing and non-performing exposures and related provisions. The Group is under the threshold for Geographic disclosures
442 (f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off	Table UK CR2: Changes in the stock of non-performing loans and advances
442 (g)	the breakdown of loans and debt securities by residual maturity.	Table UK CR1-A: Maturity of exposures
Encumbered and Unencumbered assets		
443	Disclosures of encumbered unencumbered assets	Page 59 - Encumbered and Unencumbered Assets
Use of Standardised approach		
444	Disclose the following information:	
444 (a)	the names of the nominated ECAIs and ECAs and the reasons for any changes	Page 51 - Analysis of credit risk mitigation
444 (b)	the exposure classes for which each ECAI or ECA is used	Page 51 - Analysis of credit risk mitigation Table UK CRD: Institution's use of external credit ratings under the Standardised Approach for Credit Risk
444 (c)	an explanation of the process used to translate external ratings into credit quality steps	Page 51 - Analysis of credit risk mitigation
444 (d)	mapping of external rating to credit quality steps	Page 51 - Analysis of credit risk mitigation Table UK CRD: Institution's use of external credit ratings under the Standardised Approach for Credit Risk

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Use of Standardised approach (cont.)		
444 (e)	exposure value pre and post credit risk mitigation by credit quality step	Page 51 - Analysis of credit risk mitigation Table UK CRD: Institution's use of external credit ratings under the Standardised Approach for Credit Risk Table UK CR4: Standardised Approach - Credit risk exposure and CRM effects
Market Risk		
445	Disclosure of Position Risk, large exposures exceeding limits, FX Settlement and Commodities Risk Interest rate risk of securitisation positions shall be disclosed separately	Page 62 - Foreign Exchange Risk Page 62 - Market Risk Capital Requirements under the Standardised Approach N/A the Group does not currently hold any securitisation positions
Operational Risk		
446	Disclose the approach for the assessment of own funds requirements for Operational Risk	Page 20 - Capital Management (Pillar 1 - application within the Group)
Disclosure of key metrics		
447	Institutions shall disclose the following metrics:	
447 (a)	compositions of own funds and own funds requirements	Table UK KM1 - Key metrics template Table UK CC1 - Composition of regulatory own funds
447 (b)	total risk exposure amount	Table UK KM1 - Key metrics template
447 (c)	amount and composition of additional own funds	Table UK KM1 - Key metrics template
447 (d)	combined buffer requirement	Table UK KM1 - Key metrics template Table UK CC1 - Composition of regulatory own funds
447 (e)	leverage ratio and total exposure measure	Table UK KM1 - Key metrics template Table UK CC1 - Composition of regulatory own funds Table UK LRCom - Leverage Ratio common disclosure
447 (f)	liquidity coverage ratio	Table UK KM1 - Key metrics template Table UK CC1 - Composition of regulatory own funds Table UK LIQ1 - Quantitative information of LCR
447 (g)	net stable funding requirement	Table UK KM1 - Key metrics template Table UK LIQ2: Net Stable Funding Ratio
447 (h)	own funds and eligible liabilities ratio and the components	Not applicable - the Group is not a Globally Systemic Important Institution
Disclosure of exposures to interest rate risk on positions not held in the trading book		
448 (1)	Disclose the following information:	
448 (1) (a)	changes in the economic value of equity calculated under the following six supervisory shock scenarios: (i) parallel shock up; (ii) parallel shock down; (iii) steepener shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; (vi) short rates shock down;	Page 63 - Interest Rate Risk in the Banking Book (IRRBB)

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Disclosure of exposures to interest rate risk on positions not held in the trading book (cont.)		
448 (1) (b)	changes in net interest income under the following shock scenarios: (i) parallel shock up; (ii) parallel shock down;	Page 63 - Interest Rate Risk in the Banking Book (IRRBB)
448 (1) (c)	description of key modelling and parametric assumptions used to calculate changes in value of equity and net interest income	Page 63 - Interest Rate Risk in the Banking Book (IRRBB)
448 (1) (d)	explanation of the significance of the risk measures disclosed	Page 63 - Interest Rate Risk in the Banking Book (IRRBB)
448 (1) (e)	description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities	Page 63 - Interest Rate Risk in the Banking Book (IRRBB))
448 (1) (f)	description of the overall risk management and mitigation strategies	Page 63 - Interest Rate Risk in the Banking Book (IRRBB)
448 (1) (g)	average and longest repricing maturity assigned to non-maturing deposits.	Page 63 - Interest Rate Risk in the Banking Book (IRRBB))
448 (2)	derogation relating to economic value of equity shall not apply to institutions that use the standardised framework	Not applicable - the Group implements an internal system, to identify, evaluate, manage and mitigate IRRBB and therefore the derogation under Article 448(2) does not apply.
Disclosure of exposure to securitisation positions		
449	Disclose the following information:	
449 (a)	description of securitisation and re-securitisation activities, including risk management and investment objectives, ole in securitisation and re-securitisation transactions, use of the simple, transparent and standardised securitisation, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third-parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	Page 56 - Securitisation and Covered Bond Exposures
449 (b)	the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third-parties;	Page 58 - Risks Inherent in Securitised and Covered Bond Assets
449 (c)	approaches for calculating the risk weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions	Page 56 - Securitisation and Covered Bond Exposures Page 58 - Risks Inherent in Securitised and Covered Bond Assets
449 (d)	a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) SSPEs included in the institutions' regulatory scope of consolidation;	Page 56 - Securitisation and Covered Bond Exposures
449 (e)	list of any legal entities in relation to which the institutions have disclosed that they have provided support	Not applicable - the securitisations undertaken to not meet the requirements for significant risk transfer
449 (f)	list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions	Not applicable - all securitisations either retained by originator or listed publicly.
449 (g)	summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation position	Page 56 - Securitisation and Covered Bond Exposures

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Disclosure of exposure to securitisation positions (cont)		
449 (h)	the names of the ECAIs used for securitisations and the types of exposure for which each agency is used	Page 56 - Securitisation and Covered Bond Exposures
449 (i)	Full description of Internal Assessment Approach	Not applicable - the Group does not use the Internal Assessment Approach
449 (j)	breakdown of securitisation exposures	Table UK-SEC1 - Securitisation exposures in the non-trading book
449 (k)	for the non-trading book activities, the following information: (i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk weighted assets and capital requirements; (ii) the aggregate amount of securitisation positions where institutions act as investor and the associated risk weighted assets and capital requirements by regulatory approaches	Not applicable - the securitisations undertaken do not meet the requirements for significant risk transfer
449 (l)	for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	Table UK-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments
Remuneration policy		
450 (1)	Disclose the following information regarding the remuneration policy and practices of the institution for those categories of staff whose professional activities have a material impact on its risk profile:	
450 (1) (a)	information concerning the process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, the external consultant whose services have been used for the determination of the remuneration policy	Page 71 onwards - Remuneration Page 14 Remuneration Committee - No of meetings of Remuneration Committee
450 (1) (b)	information on link between pay and performance	Page 71 onwards - Remuneration
450 (1) (c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria	Page 71 onwards - Remuneration
450 (1) (d)	the ratios between fixed and variable remuneration	Page 71 onwards - Remuneration Table UK REM1 - Remuneration awarded for the financial year
450 (1) (e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based	Page 71 onwards - Remuneration
450 (1) (f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits	Page 71 onwards - Remuneration
450 (1) (g)	aggregate quantitative information on remuneration, broken down by business area	Page 71 onwards - Remuneration
450 (1) (h)	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following:	
450 (1) (h) (i)	the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries	Page 71 onwards - Remuneration Table UK REM1 - Remuneration awarded for the financial year

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Remuneration policy (cont.)		
450 (1) (h) (ii)	the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types	Page 71 onwards - Remuneration Table UK REM1 - Remuneration awarded for the financial year
450 (1) (h) (iii)	the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years	Page 71 onwards - Remuneration
450 (1) (h) (iv)	the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards	Page 71 onwards - Remuneration
450 (1) (h) (v)	the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards	Page 71 onwards - Remuneration
450 (1) (h) (vi)	severance payments awarded in previous periods, that have been paid out during the financial year	Page 71 onwards - Remuneration
450 (1) (h) (vii)	the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person	Page 71 onwards - Remuneration
450 (1) (i)	the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million	Page 71 onwards - Remuneration
450 (1) (k)	benefits from remuneration derogation taken	Not applicable - the Group does not take the relevant derogation
450 (2)	For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.	The Group is not classified as a large institution but discloses all required information publicly
Leverage		
451 (1)	Disclose the following information:	
451 (1) (a)	leverage ratio	Page 29 - Leverage Ratio
451 (1) (b)	leverage ratio calculated as if central bank claims were required to be included in the total exposure method	Page 29 - Leverage Ratio Table UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage
451 (1) (c)	a breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	Page 29 - Leverage Ratio
451 (1) (d)	a description of the processes used to manage the risk of excessive leverage	Page 29 - Leverage Ratio
451 (1) (e)	a description of the factors that impact the leverage ratio during the period	Page 29 - Leverage Ratio

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Leverage (cont.)		
451 (1) (f)	leverage ratio calculated excluding unrealised gains and losses	Not applicable - the Group does not include unrealised gains and losses in leverage calculation
451 (1) (g)	leverage ratio calculated excluding transitional adjustment	Page 29 - Leverage Ratio Table UK LR2 - LRCom: Leverage ratio common disclosure
451 (2)	LREQ firm must disclose: a) average exposure measure; b) average leverage ratio; c) average leverage ratio including central bank claims; d) countercyclical leverage ratio buffer	Not applicable - the Group does not meet the requirements of a LREQ firm
451 (3)	LREQ firm must disclose information regarding change in total exposure measure and tier 1 capital	Not applicable - the Group does not meet the requirements of a LREQ firm
451 (4) & (5)	LREQ firm must calculate average exposure method	Not applicable - the Group does not meet the requirements of a LREQ firm
Disclosure of Liquidity requirements		
451 a (1)	Institutions shall disclose information on liquidity coverage ratio, net stable funding ratio and liquidity risk management	Page 31 - Liquidity and Funding Risk
451 a (2)	Disclose the following information in relation to liquidity coverage ratio:	
451 a (2) (a)	the average or averages, as applicable, of liquidity coverage ratio based on end-of the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	Table UK LIQ1 - Quantitative information of LCR
451 a (2) (b)	the average or averages, as applicable, of their liquid assets, after applying the relevant haircuts, included in the liquidity buffer based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer	Table UK LIQ1 - Quantitative information of LCR
451 a (2) (c)	the averages of liquidity outflows, inflows and net liquidity outflows based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of composition	Table UK LIQ1 - Quantitative information of LCR
451 a (3)	Disclose the following information in relation to net stable funding ratio:	
451 a (3) (a)	averages of their net stable funding ratio calculated for each quarter of the relevant disclosure period, based on end-of-the quarter observations over the preceding four quarters;	Table UK LIQ2: Net Stable Funding Ratio
451 a (3) (b)	an overview of the amount of available stable funding calculated for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters;	Table UK LIQ2: Net Stable Funding Ratio
451 a (3) (c)	an overview of the amount of required stable funding calculated for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters.	Table UK LIQ2: Net Stable Funding Ratio
451 a (4)	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment	Page 31 - Liquidity and Funding Risk
Disclosure of the use of the IRB Approach to Credit Risk		
452	Institutions calculating the risk weighted exposure amounts under the IRB Approach shall disclose information	Not applicable - the Group does not use the IRB approach
Use of credit risk mitigation techniques		
453	Disclose the following information:	
453 (a)	the policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting	Page 54 - Counterparty Credit Risk under the simplified Standardised Approach

Appendix 7: CRR Mapping (continued)

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 29 February 2024.
Use of credit risk mitigation techniques (cont.)		
453 (b)	the policies and processes for collateral valuation and management	Page 40 - Wholesale Credit Risk Page 51 - Analysis of credit risk mitigation
453 (c)	a description of the main types of collateral taken by the institution	Page 40 - Wholesale Credit Risk Page 51 - Analysis of credit risk mitigation
453 (d)	the main types of guarantor and credit derivative counterparty and their creditworthiness	Not applicable - the Group has no exposure to credit derivatives
453 (e)	information about Market or Credit Risk concentrations within the credit mitigation taken	Not applicable - the Group has no Market or Credit Risk concentrations within the credit mitigation taken
453 (f)	for exposures under either the Standardised or IRB Approach, disclose the exposure value not covered by eligible collateral	Page 51 - Analysis of credit risk mitigation Table CRD: Institution's use of external credit ratings under the Standardised Approach for Credit Risk Table UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
453 (g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Page 51 - Analysis of credit risk mitigation Table UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
453 (h)	for institutions calculating risk weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Page 51 - Analysis of credit risk mitigation Table UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
453 (i)	for institutions calculating risk weighted exposure amounts under the Standardised Approach, the risk weighted exposure amount and the ratio between that risk weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	Page 51 - Analysis of credit risk mitigation Table UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
453 (j)	for institutions calculating risk weighted exposure amounts under the IRB Approach, the risk weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission	Not applicable - the Group does not use the IRB approach
Disclosure of the use of the Advanced Measurement Approaches to Operational Risk		
454	description of the use of insurance or other risk transfer mechanisms to mitigate Operational Risk	Not applicable, the Group does not use Advanced Measurement Approaches to Operational Risk
Use of Internal Market Risk Models		
455	disclosures relating to the use of Internal Market Risk Models	Not applicable, the Group does not use Internal Market Risk Models

Appendix 8: UK CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		CET 1	AT 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	MREL
1	Issuer	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	XS2031923126
2a	Public or private placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Public
3	Governing law(s) of the instrument	Scottish Law	English Law	English Law	English Law	English Law	English Law	English Law	English Law	English Law	English Law	English Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	Yes	No	No	No	No	No	No	No	No	Yes
	Regulatory treatment											
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Eligible liabilities
5	Post-transitional CRR Rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Eligible liabilities
6	Eligible at Solo /(sub-) consolidated/ solo & (sub-) consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common Equity	Other equity instrument	Dated Floating Rate Subordinated Notes	Undated Floating Rate Subordinated Notes	Dated Floating Rate Subordinated Notes	Undated Floating Rate Subordinated Notes	Undated Floating Rate Subordinated Notes	Dated Floating Rate Subordinated Notes	Dated Floating Rate Subordinated Notes	Dated Floating Rate Subordinated Notes	Dated Fixed rate senior notes
8	Amount recognised in regulatory capital or eligible liabilities (currency in million, as of most recent reporting date)	£1070.2m comprising nominal and premium	£149.6m	£20m	£9m	£10m	£16m	£20m	£35m	£95m	£30m	£144.7m
9	Nominal amount of instrument	0.10	£150m	£20m	£9m	£10m	£16m	£20m	£35m	£95m	£30m	£144.7m
UK 9a	Issue price	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99.641%
UK 9b	Redemption price	n/a	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
10	Accounting classification	Shareholders equity	Shareholders equity	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	Various	31 Aug 2023	10 Apr 2002	10 Apr 2002	19 Sep 2002	19 Sep 2002	10 Dec 2002	28 Apr 2003	31 Dec 2007	25 Feb 2010	25 July 2019

Appendix 8: Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

		CET 1	AT 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	MREL
12	Perpetual or dated	Perpetual	Perpetual	Dated	Perpetual	Dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	29 March 2030	No maturity	29 March 2030	No maturity	No maturity	29 March 2030	29 March 2030	29 March 2030	25 July 2025
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Option call date, contingent call dates and redemption amount	n/a	Optional call date 31 August 2028 Reg call = Yes Tax call = Yes Redemption price = 100%	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Interest Payment Date falling on or nearest to 25 July 2024
16	Subsequent call dates, if applicable	n/a	every 5 years	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	n/a
	Coupons/Dividends											
17	Fixed or floating dividend/coupon	Floating	Fixed	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Fixed
18	Coupon rate and any related index	n/a	11.5%	3month SONIA plus 0.67 per cent per annum	3month SONIA plus 1.27 per cent per annum	3month SONIA plus 0.67 per cent per annum	3month SONIA plus 2.27 per cent per annum	3month SONIA plus 2.27 per cent per annum	3month SONIA plus 1.67 per cent per annum	3month SONIA plus 1.07 per cent per annum	3month SONIA plus 1.82 per cent per annum	3.50%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No	No
UK 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
UK20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

Appendix 8: Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

		CET 1	AT 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	MREL
21	Existence of step-up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	BoE Resolution Authority may convert at point of non-viability under a statutory approach
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Fully or Partially
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Mandatory, at the option of Resolution Authority
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Tesco Personal Finance Group
30	Write-down features	No	Yes	No	No	No	No	No	No	No	No	Yes
31	If write-down, write-down trigger(s)	n/a	Tesco Personal Finance Group's CET1 ratio falls below 7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	BoE Resolution Authority may write-down at point of non-viability under a statutory approach
32	If write-down, full or partial	n/a	Full	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Fully or Partially
33	If write-down, permanent or temporary	n/a	Permanent	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Permanent

Appendix 8: Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

		CET 1	AT 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	MREL
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34a	Type of subordination (only for eligible liabilities)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Structural
UK 34b	Ranking of the instrument in normal insolvency proceedings	Ranks behind all other forms of capital	Ranks behind Tier 2 capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Rank below all other externally issued liabilities that are not own funds
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2 Capital	Tier 2 capital	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured Creditors of Tesco Personal Finance (solo) plc
36	Non-compliant transitional features	No	No	No	No	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
37a	Link to the full term and conditions of the instrument (signposting)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	EMTN Programme - Tesco Bank (tescoplc.com)