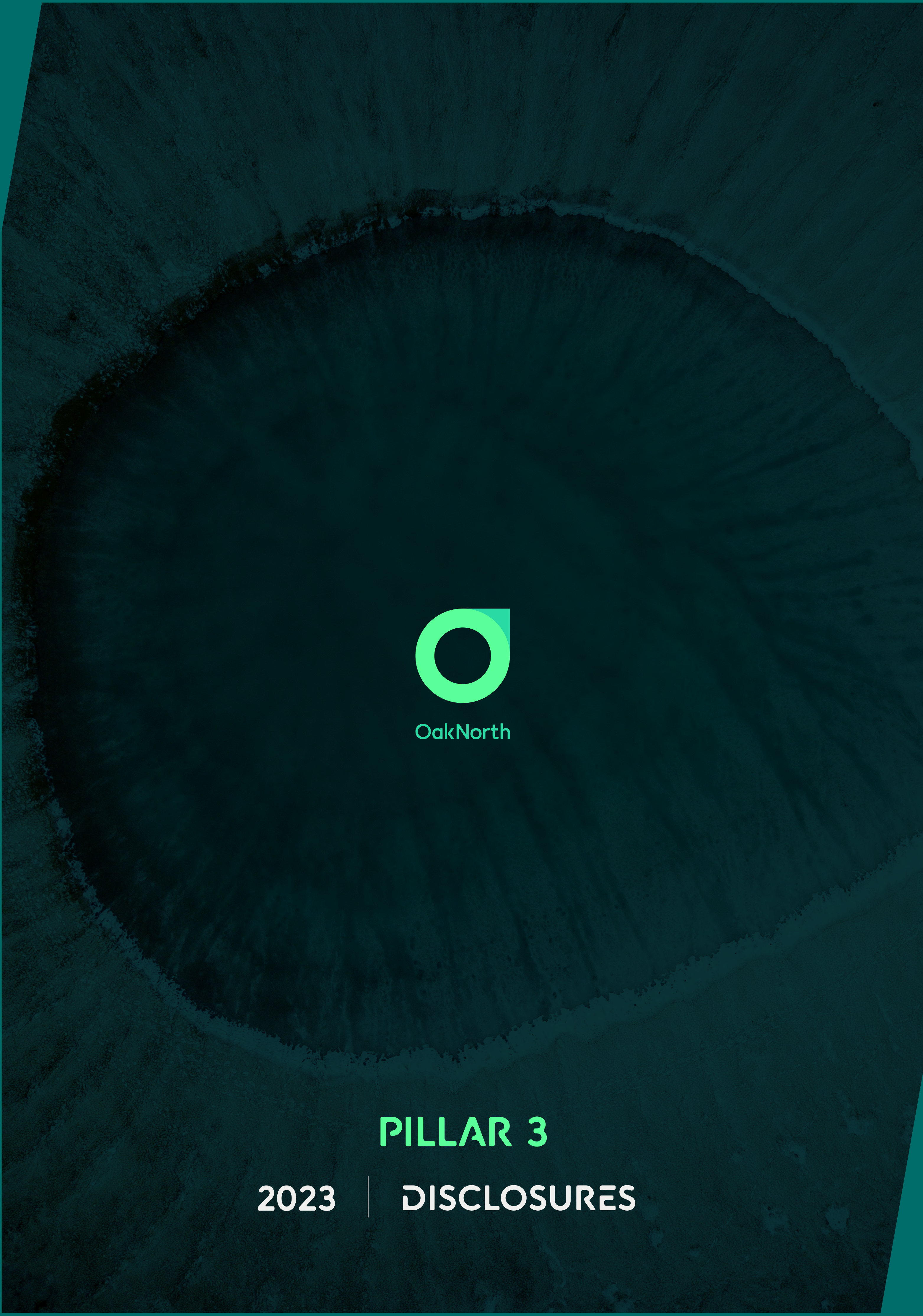

OakNorth

PILLAR 3

2023 | DISCLOSURES

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1. Overview, scope, basis and frequency of disclosures and location

1.1 Overview and scope

OakNorth Bank plc (herein referred to as 'OakNorth', 'OakNorth Bank', 'the Bank' or 'the Company') is a founder-led business that is on a mission to empower the 'Missing Middle' since its inception in September 2015. We work to serve and empower small-to-medium sized businesses that are seeking to scale. We provide these fast-growing and ambitious businesses with the fast, flexible debt finance (loans of £1 million up to tens of millions) they need to scale, while also helping savers make their money go further via our award-winning savings platform.

More information on the strategy and business model of OakNorth is provided in the 2023 Annual Report and Financial statements which can be accessed at https://www.oaknorth.co.uk/investors/.

These disclosures have been prepared for the stand-alone entity OakNorth Bank plc (PRA/FCA reference number 629564).

1.2 Basis

The Pillar 3 disclosures have been made in accordance with part Eight of the Capital Requirements Regulation and Directive, as implemented ('CRR II') and the PRA Rulebook, and use the PRA's disclosure templates and instructions, which came into force on 1 January 2022. Any reference in this document to EU regulations and directives should, as applicable, be read as references to the UK's version of such regulation and/or directive, as on-shored into UK law under the European Union (Withdrawal) Act 2018.

The report contains information presented for the year ended 31 December 2023, with comparatives for 31 December 2022. All disclosures have been prepared in Pounds Sterling.

OakNorth Bank uses the Standardised Approach for computing capital requirements for credit risk, Standardised Approach (SA-CCR) for counterparty credit risk and Basic Indicator Approach for operational risk. OakNorth Bank does not have any market risk other than Interest Rate Risk in the Banking Book (IRRBB). The disclosures in this document are based on these approaches.

Any blank cells in the relevant regulatory templates/ tables have not been included in these disclosures. We continue to develop and enhance the quality and transparency of Pillar 3 disclosures to ensure that they are as clear and informative as possible.

1.3 Frequency of disclosures

Pillar 3 disclosures are published annually following the publication of the Bank's Annual Report and Financial statements.

1.4 Verification

These disclosures were subject to approval by OakNorth Bank's Board Audit Committee. These disclosures have not been externally audited and do not constitute part of OakNorth Bank's audited financial statements.

1.5 Location & references

The Pillar 3 disclosures are available on OakNorth Bank's corporate website https://oaknorth.co.uk/pillar-3-disclosures/.

This document makes reference to OakNorth Bank's 2023 Annual report and Financial statements which is available at https://www.oaknorth.co.uk/investors/.

1.6 Regulatory developments

Basel 3.1: The PRA published a consultation on the implementation of Basel III Reforms ('Basel 3.1') in the UK in November 2022, which was followed by publication of near- final rules in relation to specific risk areas (market risk, credit valuation adjustments, counterparty risk and operational risk) in December 2023. Near final rules on the remaining parts of Basel 3.1 package (credit risk, the output floor and reporting and disclosures), are expected to be published during the course of 2024. The provisions are expected to apply from 1 July 2025.

Strong and simple framework: In April 2022, PRA published a consultation paper on The Strong and Simple Framework. Through this framework, PRA seek to simplify the prudential framework for non-systemic domestic banks and building societies, while maintaining their resilience. PRA are expected to consult on several different aspects of the requirements that would apply under the regime. In November 2022, consultation on proposed thresholds for regulated firms that could be eligible for the application of the framework were published, including the option that the firms that meet the Simpler-regime criteria would be able to choose to be subject to the proposed implementation of the Basel 3.1 standards, should they prefer to do so. In February 2023, Liquidity and disclosure related consultations were published, with the final policy statement issued in December 2023.

2. Risk management framework and policies

OakNorth is exposed to a wide range of risks through its banking operations, including credit, cybersecurity, operational, liquidity, capital, interest rate, people, climate, regulatory and compliance. OakNorth's Principal Risks and uncertainties are identified, and mitigating action taken by the ExCo, overseen by the Executive Risk Committee and the Board Risk & Compliance Committee.

At OakNorth we have built a proportionate and robust Risk Management Framework (RMF) that is designed to ensure that the key risks facing OakNorth are identified, measured, monitored, and managed, and that appropriate policies, procedures and controls are established such that each risk is mitigated to an acceptable degree. Our enterprise-wide RMF as agreed by the Board is set in compliance with relevant legislation.

Our strategy is set within a detailed Risk Appetite Statement which sets out the type and quantum of risk we are prepared to accept to achieve our strategic business objectives. The Risk Appetite Statement ('RAS') is carried through into OakNorth's suite of Policies, and from the Policies into the Procedures (Standard Operating Procedures or 'SOPs') used by OakNorth staff. Detailed policies and frameworks approved by the Board and Board committees define the governance framework that ensures OakNorth's activities are consistent with the risk appetite approved by the Board. Central to the operational risk management is a Risk & Controls Self-Assessment ("RCSA") framework; a risk management tool whereby risks and controls are documented and assessed process by process, to provide assurance to management that controls are adequate and effective. First line Business Assurance Testing and second line Assurance Testing is undertaken regularly.

Sections 5, 6, 7, 8 of this document detail the risks and risk management and relevant disclosures associated with Credit risk, Interest rate risk in the banking book, Liquidity & foreign exchange (FX) risk, Operational, conduct, compliance & financial crime, Cyber risk and Climate risk.

Please see the following sections in the 2023 Annual Report and Financial statements:

- Governance review – pages 40-44 of 2023 Annual Report and Financial statements
- Risk Management framework and risk review – pages 45-64 of 2023 Annual Report and Financial statements

3. Governance

3.1 Governance arrangements

The overall Board and Board committee structure, responsibilities, reporting structure are detailed in the following sections/ pages of the 2023 Annual Report and Financial statements:

- Governance review – pages 40-44
- Directors – pages 66-67

3.2 Additional governance arrangement disclosures- Directorships held by members of the Board

The number of external directorships held by the Executive and Non-Executive Directors who served on the Board as at 31 December 2023 in addition to their roles within OakNorth Bank are:

Name of Director	Position	Directorships[a]
Cyrus Ardalan	Chairman Chair of the Board Remuneration Committee	5[1]
Robert Burgess	Non-Executive Director Chair of the Board Credit Committee, Chair of the Board Risk & Compliance Committee	3[2]
Carolyn Schuetz	Non-Executive Director Chair of the Board Audit Committee	2
Edward Barry Berk	Senior Independent Director	1
Timo Boldt	Non-Executive Director	3
Rishi Khosla	Executive Director Chief Executive Officer and Co-Founder	2
Joel Perlman	Executive Director Senior Managing Director and Co-Founder	8
Rajesh Gupta	Executive Director Chief Financial Officer	-

[a] Note that in line with CRD Article 91(4), one type of directorship for multiple entities within a group is counted as one directorship. The above includes directorships in non-commercial organisations in accordance with the EBA guidelines EBA/GL/2016/11 published in August 2018. These are in addition to any positions held outside of the OakNorth group entities.

[1] Includes directorship in two non- commercial organisations and three commercial organisations;

[2] Includes directorship in one non- commercial organisation. For all others, the directorships are in commercial organisations.

During the year, the following changes occurred to the Board:

- Cyrus Ardalan resigned from the position of Non- Executive Director and Chair of the Board and Board Remuneration Committee on 31 December 2023.
- Lord Adair Turner was appointed as Non- Executive Director and Chair of the Board and Board Remuneration Committee on 1 January 2024.

As required per the Terms of Reference of the Board, no Board member may hold simultaneously more than either

- 1 x Executive Director and 2 x Non-Executive Director Roles or
- 4 x Non- Executive Director Roles, unless otherwise agreed

3.3 Board recruitment and diversity

Disclosures in relation to Board recruitment and diversity are detailed in section 12 of this document.

3.4 Board induction

New Directors appointed by the Board are given formal induction with respect to OakNorth Bank's vision, strategy, and core values including ethics, corporate governance practices, Risk Management Framework, financial matters, and business operations.

Management also provides all the necessary documents, reports, and internal policies to the new Directors so that they get acquainted with various procedures and practices in OakNorth Bank. Apart from the above, OakNorth Bank's management team makes periodic presentations on business and performance updates of the Bank at Board and Committee meetings.

3.5 Succession planning

OakNorth Bank is committed to prudent risk management and ensuring that the succession of the management team is planned out and regularly monitored and adjusted. The Bank has a succession plan which allows the Board to understand the actions that OakNorth Bank would take should it lose a senior management team member. The plan outlines the "what if" scenario and corresponding actions relating to the departure of each management team member. The plan is periodically approved by the Board and is subject to, at minimum, an annual review by senior management.

3.6 Adequacy of risk management arrangements

As detailed in the preceding sections and in our 2023 Annual Report and Financial statements , the Board retains overall accountability for approving the RMF and the business strategy; understanding major risks, and ensuring that appropriate limits are set against those risks and that they are adequately controlled and monitored. OakNorth Bank's RMF, governance arrangements and Board responsibilities are detailed in the preceding sections in this document and in the 'Governance' section of the Bank's 2023 Annual Report and Financial statements. The Board considers that, as at 31 December 2023, it had in place an adequate framework of systems and controls with regard to OakNorth Bank's risk profile and business strategy.

4. Capital management, resources and capital adequacy

4.1 Capital management & stress testing

Our capital risk appetite statement and framework are designed to ensure that the Bank maintains sufficient capital, with appropriate buffers, to meet regulatory requirements for its ongoing growth projections, even in periods of stress.

To enable this, we undertake an annual ICAAP, which is a formal internal capital planning exercise that covers forecasts over a three-to-five-year period as required under the PRA ICAA rules.

As a part of the ICAAP, the Board considers all material capital risks OakNorth faces and determines the amount, type and distribution of capital that will be required to cover such risks. The determination of these additional capital requirements is what is known as the Pillar 2 requirements, which is bank-specific capital requirement and supplements the minimum capital requirement (known as the Pillar 1 requirement).

The ICAAP is reviewed and approved typically annually by the Asset and Liability Committee (ALCo), Executive Committee (ExCo) and the Board. ICAAP is part of the RMF and informs the Risk Appetite Statement, and it is the basis of the day to day operations of OakNorth, including - helping to inform calibration of risk appetite measures and early warning indicators (EWIs), helping to monitor and assess the management of concentration risk within the loan book, informing strategic considerations for the Bank's financial plan, including rightsizing capital planning, consideration of optimal balance sheet scale and ensuring resilience of the Bank business model to stress.

The Pillar 2A requirements cover several risk areas including – credit, market, operational risks, counterparty credit risk, credit concentration risk, interest rate risk in the banking book, pension obligation risk, and group risk.

We also conduct "Stress testing" to determine whether any additional capital may be required to be held over and above the Total Capital Requirement ("TCR") plus regulatory buffers. Pillar 2B, which is also called the PRA buffer, is an amount of capital banks need to maintain in addition to their total capital requirement and the combined buffer. The combined buffers comprise of the Capital Conservation Buffer (CCoB), the

Countercyclical Buffer (CCyB) and are regulatory buffers that are applied to ensure the banking system as a whole has sufficient capital to absorb system-wide losses that could occur in stress.

We undertake a detailed approach to evaluate a range of potential stress scenarios that could occur based on the key risks in the business and macroeconomic stress scenarios, to ensure that we robustly stress the risks inherent in our business. Stress testing is carried out at regular intervals, with capital stress tests undertaken at least biannually as well as where required as part of the ongoing risk appetite reviews and as a result of any perceived change in the wider macroeconomic environment or idiosyncratic event which might pose a threat to OakNorth.

On an ongoing basis, we monitor capital adequacy considering the forecast volume of growth in the loan book. The capital adequacy and surplus over the capital buffer position (forecast and actuals) are reported to the ALCO, ExCo, and Executive Risk Committee (ERC) monthly as well as Board Risk and Compliance Committee (BRCC) on a quarterly basis. The key risk appetite metrics that are used by the Bank to monitor and measure its capital risk include (but not limited to) – minimum CET 1, Tier 1 and Total Capital and changes to the surplus over OakNorth's capital requirement under stress scenarios, leverage ratio, large exposures, etc. There are risk appetite limits set for each of these metrics under 'business as usual', early warning indicators, and internal limits.

4.2 UK KM1 - Key metrics

	2023	2022
	£'000	£'000
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	853,523	719,977
Tier 1 capital	853,523	719,977
Total capital	883,523	769,977
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	4,577,382	3,840,274
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	18.6%	18.7%
Tier 1 ratio (%)	18.6%	18.7%
Total capital ratio (%)	19.3%	20.1%
Additional own funds requirements based on SREP[a] (as a percentage of risk-weighted exposure amount) - Pillar 1 + Pillar 2A		
CET1 SREP requirements (%)	6.1%	6.1%
T1 SREP requirements (%)	2.0%	2.1%
T2 SREP requirements (%)	2.7%	2.7%
Total SREP own funds requirements (%)	10.9%	10.9%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5%	2.5%
Institution specific countercyclical capital buffer (%)	1.9%	1.0%
PRA Buffer	-	-
Combined buffer requirement (%)	4.4%	3.5%
Overall capital requirements (%)	15.3%	14.4%

	2023	2022
	£'000	£'000
Surplus over SREP requirements (Pillar 1 + Pillar 2A)		
CET1 available after meeting the total SREP own funds requirements (%)	12.5%	12.6%
Leverage ratio[a]		
Leverage ratio total exposure measure excluding claims on central banks	4,463,419	3,719,196
Leverage ratio	19.1%	19.4%
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value -average)	1,189,319	556,199
Cash outflows - Total weighted value	458,967	279,626
Cash inflows - Total weighted value	133,361	121,057
Total net cash outflows (adjusted value)	325,606	158,569
Liquidity coverage ratio (%)	365%	351%
Net Stable Funding Ratio[b]		
Total available stable funding	4,831,446	3,748,427
Total required stable funding	2,993,447	2,436,946
NSFR ratio (%)	161.40%	153.8%

[a] Total exposure measure and Leverage ratio excluding claims on central banks.

[b] Supervisory Review and Evaluation Process.

4.3 UK OV1 – Overview of risk weighted exposure amounts

	Risk weighted exposure amounts (RWEAs)		Total own Pillar 1 capital requirements	
	2023	2022	2023	2022
Credit risk (excluding CCR)	4,230,433	3,577,369	338,435	286,190
- Of which the standardised approach	4,230,433	3,577,369	338,435	286,190
Counterparty credit risk (CCR)	13,633	-	1,091	-
- Of which the standardised approach	6,600	-	528	-
- Of which credit valuation adjustment (CVA)	7,032	-	563	-
Operational risk	333,317	262,904	26,665	21,032
- Of which basic indicator approach	333,317	262,904	26,665	21,032
Total	**4,577,382**	**3,840,274**	**366,191**	**307,222**

4.3 Overview of capital surplus over Pillar 1 requirements

The below surplus is stated over the Pillar 1 capital requirements which are computed as 8% of the risk weighted assets.

	2023 (£'000)	2022 (£'000)
Capital resources requirement under Pillar 1	366,191	307,222
Total capital resources	883,523	769,977
Capital resources surplus over Pillar 1 requirement	**517,332**	**462,755**

Capital resources and requirements

4.4. Capital resources

The following table shows the composition of OakNorth Bank's regulatory capital position.

Regulatory Capital	2023 (£'000)	2022 (£'000)
Share capital	389,320	389,320
Retained earnings	484,309	350,074
Capital contribution	149	111
Cash flow Hedge reserve	2,261	-
Movement relating to financial assets at fair value through OCI	57	24
Deductions for Intangible assets	(5,639)	(4,290)
Deductions for Deferred tax assets	(367)	(1,012)
Investment in financial subsidiaries	(14,250)	(14,250)
Deduction for Cash flow Hedge reserve	(2,261)	-
Cost of Hedging Reserve	(56)	-
Total Common Equity Tier 1 (CET1) capital	**853,523**	**719,977**
Total Tier 1 Capital	**853,523**	**719,977**
Subordinated debt	30,000	50,000
Total Tier 2 capital	**30,000**	**50,000**
Total regulatory capital	**883,523**	**769,977**

4.5 Movement in regulatory capital resources

	2023 (£'000)	2022 (£'000)
Total CET 1 capital at beginning of year	719,977	628,446
IFRS 16 Changes	-	(470)
Profits for the year	134,235	110,874
Net change in capital contribution and other reserves	2,330	(192)

	2023 (£'000)	2022 (£'000)
Net change in deduction for deferred tax assets	645	(140)
Net change in deduction for Intangible assets	(1,349)	(4,290)
Net change in deduction for investment in financial subsidiary	-	(14,250)
Net Change in Cash flow Hedge reserve	(2,260)	-
Net Change in Cost of Hedging Reserve	(55)	-
Total CET 1 capital at end of year	**853,523**	**719,977**
Total Tier 1 capital at end of year	**853,523**	**719,977**
Total Tier 2 capital at beginning of the year	**50,000**	**50,000**
Call-back of Tier 2 Subordinated debt	(50,000)	-
Issuance of Tier 2 Subordinated debt	30,000	-
Total Tier 2 capital at end of the year	**30,000**	**50,000**
Total regulatory capital at end of the year	**883,523**	**769,977**

4.6 Reconciliation to Statutory equity

	2023 (£'000)	2022 (£'000)
Equity per financial statements	**876,039**	**739,529**
Deduction for Intangible assets	(5,639)	(4,290)
Deduction for Deferred tax assets	(367)	(1,012)
Deduction for Investment in subsidiary	(14,250)	(14,250)
Deduction for Cash flow Hedge reserve	(2,260)	-
Total CET1 Capital	**853,523**	**719,977**
Add Tier 2 Subordinated debt	30,000	50,000
Total regulatory capital at end of the year	**883,523**	**769,977**

There were no dividends proposed or approved by the Board for 2023 (2022: nil).

4.7 Tier 2 subordinated debt

	2023 (£'000)	2022 (£'000)
Subordinated notes (amortised cost)	**30,141**	**49,778**
Amounts due:		
- over five years	30,141	49,778

During the year, the Bank called back £50.0 million subordinated notes which were issued in 2018. In December 2023, the Bank issued 10-year £30.0 million subordinated notes with coupon of 12.987%. The notes are callable at the option of OakNorth in December 2028 and mature in December 2034.The notes are held at amortised cost. The instrument is non-convertible and there are no contractual write-down features. Write-down can only be triggered at point of non-viability under the Banking Act.

There were no payment defaults or other breaches with respect to its subordinated liabilities during the year ended 31 December 2023 (2022: Nil).

4.8 Total capital ratio

	2023 (£'000)	2022 (£'000)
Risk weighted assets		
Credit risk(including CCR and CVA)	4,244,066	3,577,369
Market risk	-	-
Operational risk	333,317	262,904
Total risk weighted assets	**4,577,382**	**3,840,274**
Capital ratios		
Common Equity Tier 1 capital ratio	18.6%	18.7%
Tier 1 capital ratio	18.6%	18.7%
Total capital ratio	**19.3%**	**20.1%**

4.9 Total capital requirement (TCR) as set by the PRA (Pillar 1 + Pillar 2A)

The total capital requirement (TCR) as set by the PRA, which is defined as the amount and quality of capital a firm is required to maintain to comply with the Pillar 1 and Pillar 2A capital requirements, was 10.91% for OakNorth Bank as of 31 December 2023 (2022: 10.91%).

4.10 Capital buffers (Pillar 2B)

The Countercyclical Capital Buffer (CCyB) rate was 2% for UK exposures and 0% for non UK exposures as of 31 December 2023. The weighted CCyB was 1.91% as at 31 December 2023 (2022: 2%). The capital conservation buffer was 2.5%.

CCyB applies to only relevant exposures which excludes exposures to central governments and central banks and institutions, as summarised below. These exclude CVA of £7.0m as at 31 December 2023 (2022: Nil).

2023 (£'000)	General credit exposures	Total exposure value	Own fund requirements		Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach[a]		Relevant credit risk exposures - Credit risk[b]	Total Pillar 1 8% + CcyB			
Breakdown by country:							
United Kingdom	3,812,694	3,812,694	322,751	322,751	4,217,955	95.5%	2%
Rest of World	164,041	164,041	15,284	15,284	-	4.5%	0%
Of which US	158,288	158,288	14,824	14,824	-	4.4%	0%
Of which JE	5,753	5,753	460	460	-	0.1%	0%
Total	**3,976,735**	**3,976,735**	**338,036**	**338,036**	**4,217,955**	**100.0%**	

[a] Stated after application of credit conversion factors.

[b] Relevant exposure as per CRD i.e. total exposure less central bank exposure and exposure to institutions and also exclude CVA.

2022 (£'000)	General credit exposures	Total exposure value	Own fund requirements		Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach[a]		Relevant credit risk exposures - Credit risk[b]	Total Pillar 1 8% + CcyB			
Breakdown by country:							
United Kingdom	3,200,228	3,200,228	285,232	285,232	3,565,403	100.0%	1%
Rest of World	-	-	-	-	-	0%	0%
Total	**3,200,228**	**3,200,228**	**285,232**	**285,232**	**3,565,403**	**100.0%**	

Leverage Ratio

The UK leverage ratio regime requires a minimum leverage ratio of 3.25%. Under the regime, the calculation also excludes assets constituting claims on central banks from the calculation of the total exposure measure. At present, OakNorth Bank has no minimum leverage requirement as it is currently not within the scope of the UK Leverage Ratio Framework as its deposit levels are less than £50 billion.

All leverage exposure disclosures below exclude CVA of £7.0m as at 31 December 2023 (2022: Nil).

4.11 UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	Applicable amount	
	2023 (£'000)	2022 (£'000)
Total assets as per 2023 Annual report and Financial statements	5,799,835	4,650,036
Adjustment for derivative financial instruments	21,288	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)[a]	299,866	324,425
Other adjustments[b]	(20,257)	(19,551)
Total exposure measure	**6,100,733**	**4,954,910**

[a] Off balance sheet items are stated after application of credit conversion factors. Gross off-balance sheet exposures before conversion factors are £1,468.4 million (2022: £1,509.6million)

[b] Other adjustments in 2023 comprise of items that are directly deducted from CET1 capital- Investment in subsidiary £14.25 million, Intangibles £5.6 million, and Deferred tax assets of £0.3 million.

4.12 UK LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	Leverage ratio exposures	
	2023 (£'000)	2022 (£'000)
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**5,780,322**	**4,630,485**
Banking book exposures, of which:	5,780,322	4,630,485
Exposures treated as sovereigns	1,874,974	1,609,912
Institutions	35,685	37,507

	Leverage ratio exposures	
	2023 (£'000)	2022 (£'000)
Secured by mortgages of immovable properties	1,426,097	1,045,997
Corporates	1,475,576	851,094[a]
Exposures in default	9,282	87,731
Other exposures (includes primarily high-risk exposures and other non-credit obligation assets)	958,709	998,243[a]

[a] Restated to reclassify High-risk exposure from 'Corporates' to 'Other exposures'.

4.13 Template UK LR2 - LRCom: Leverage ratio common disclosure

	Leverage ratio exposures	
	2023 (£'000)	2022 (£'000)
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items	5,794,012	4,630,485
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(5,890)	-
Asset amounts deducted in determining Tier 1 capital (leverage)	(20,257)	-
Total on-balance sheet exposures (excluding derivatives and SFTs)	**5,767,865**	**4,630,485**
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	26,872	-
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	6,129	-
Total derivatives exposures	**33,001**	**-**
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	1,468,354	1,509,550
Adjustments for conversion to credit equivalent amounts	(1,167,662)	(1,184,097)
Provisions associated with off-balance sheet exposures	(826)	(1,029)
Off-balance sheet exposures	**299,866**	**324,425**
Capital and total exposure measure		
Tier 1 capital (leverage)	**853,523**	**719,977**
Total exposure measure including claims on central banks	**6,100,733**	**4,954,910**
Claims on central banks excluded	(1,637,314)	(1,235,714)
Total exposure measure excluding claims on central banks	**4,463,419**	**3,719,196**
Leverage ratio		
Leverage ratio excluding claims on central banks (%)	19.1%	19.4%
Leverage ratio including claims on central banks (%)	14.0%	14.5%

5. Credit Risk

Credit risk refers to the potential loss that a lender may suffer due to the failure of a borrower to repay a loan or meet their financial obligations. It is the risk that arises from the possibility of default on a loan or debt by the borrower.

This risk is one of the most significant risks faced by OakNorth given its business model's emphasis on lending. OakNorth has a Credit Risk Management Framework (CRMF) that includes establishing and monitoring credit policies and procedures, credit and concentration risk appetite limits and key risk indicators, credit risk decisioning process including delegated authorities, portfolio performance and management, risk rating frameworks, risk-weighted assets approach, portfolio provisioning and stress testing framework, and climate risk assessment and management within the loan book.

At OakNorth we take a data led and forward-looking view when risk-assessing potential and existing clients. Risk assessment is undertaken to fully understand the client's business, sector, financial capacity, and key risks of any transaction. The output is reviewed in line with OakNorth lending policy. Risk assessment is enhanced using OakNorth's FLR tool. Throughout the year, pursuant to ongoing economic challenges and outlook, we focused on ongoing stress testing of the loan book via the FLR tool. This tool is used to not only assess the impact of known risks, but more importantly to form a view of the potential impact of emerging risks. FLR is updated monthly and applied to our existing borrower portfolio to seek out any emerging trends or specific cases of potential concern.

The Bank's Reserve Adequacy Committee (RAC), which operates as a working group under the mandate from the Board Audit Committee and its membership includes Head of Credit Risk, Chief Financial Officer, and Chief Risk Officer. The committee is responsible for the review and confirmation of adequacy of provision calculations, oversight of the staging approach applied, review and confirmation of scenarios and weightings, assessing appropriateness of any provision overlays and exceptions, reviewing model accuracy related matters including back-testing, model effectiveness and ensuring IFRS 9 provisions and overlays approach are consistent with the Provisions policy.

- Credit risk review for 2023 is detailed on pages 50-51 of the 2023 Annual report and Financial statements
- OakNorth's approach to Credit Risk Management is detailed on pages 51-52 of the 2023 Annual report and Financial statements
- Credit Risk Governance framework, Credit risk appetite, Committees and delegated authorities – are detailed on pages 51-52 of the 2023 Annual report and Financial statements
- Credit risk management and monitoring, Credit risk rating- are detailed on pages 52-53 of the 2023 Annual Report and Financial statements

5.1 Credit quality classification

Based on the analysis of the portfolio monitoring triggers, the loan book is classified into the following credit risk categories: - Standard, Early warning sign (EWS), Intensive monitoring (IM), Watchlist (WL) and Default.

The 'Watchlist' triggers are aligned with the IFRS 9 Stage 2 category of Significant Increase in Credit Risk (SICR). In addition to IFRS 9 backstop triggers, these include a combination of quantitative triggers (breaches of risk limits for interest cover or debt service cover ratios, loan to value, loan to gross development value) and qualitative triggers (such as- financial covenant breaches, short term liquidity concerns, performance versus plan, changes in quality of guarantee, failure of any material contracted party, project delays, property development planning permission risks). Cases under forbearance are also classified as Stage 2. For Stage 3, we assess whether there are objective impairment triggers, which include significant financial difficulty of the borrower, probability that the borrower will enter bankruptcy, breach of contract, material litigations or any other factors as the Credit Risk Management Committee (CRMC) deems relevant which may result in the borrower unlikely to pay. This is aligned with the EBA guidelines on the application of the definition of Default. These include IFRS 9 backstop triggers of 30 days and 90 days past due (DPD) for Stage 2 and Stage 3 respectively. EWS and Intensive monitoring cases are part of IFRS 9 Stage 1 classification.

Please see pages 53, 55 of the 2023 Annual Report and Financial statements.

Staging classification of loan book: The classification of the loan book across different IFRS 9 stages and the corresponding expected credit loss charge allowance is provided below:

Table: Maximum exposure to credit risk in the loan book, ECL provisions and Staging

As at 31 December 2023	On balance sheet- Loans and advances at amortised cost	Allowance for ECL	Net carrying amount	% ECL allowance of on-balance sheet exposures	Off- balance sheet - Undrawn Loan Commitments	Allowance for ECL	Net carrying amount
	£'000	£'000	£'000	%	£'000	£'000	£'000
Stage 1	3,397,765	13,260	3,384,505	0.4%	373,439	773	372,666
Stage 2	357,847	5,082	352,765	1.4%	7,139	53	7,086
Stage 3	91,089	12,219	78,870	13.4%	3,902	-	3,902
Total	**3,846,701**	**30,561**	**3,816,140**	**0.8%**	**384,480**	**826**	**383,654**

As at 31 December 2022	On balance sheet- Loans and advances at amortised cost	Allowance for ECL	Net carrying amount	% ECL allowance of on-balance sheet exposures	Off- balance sheet - Undrawn Loan Commitments	Allowance for ECL	Net carrying amount
	£'000	£'000	£'000	%	£'000	£'000	£'000
Stage 1	2,990,755	13,311	2,977,444	0.4%	430,469	825	429,644
Stage 2	64,825	2,507	62,318	3.9%	6,458	204	6,254
Stage 3	95,415	7,684	87,731	8.1%	-	-	-
Total	**3,150,995**	**23,502**	**3,127,493**	**0.7%**	**436,927**	**1,029**	**435,898**

Uncommitted loan facilities: As at 31 December 2023, OakNorth had £1,083.9 million of uncommitted facilities (2022: £1,072.6 million). These facilities are unconditionally cancellable. This balance includes a facility of £22.1 million provided to the subsidiary ASK Partners Limited (2022: £29.7 million).

OakNorth did not have any off-balance sheet exposures on financial and other guarantees (2022: Nil).

Stage 2 comments: Of the total outstanding loans in Stage 2 as at 31 December 2023, £245.9 million were past due and/or subject to forbearance measures (2022: £40.0 million), and the remaining were in breach of OakNorth's other staging criteria. £337.7 million of the loans as at 31 December 2023 were collateralised by real estate (2022: £64.7 million).

Stage 3 comments: Of the total outstanding loans in Stage 3 as at 31 December 2023, £89.4 million were collateralised by real estate (2022: £95.4 million). All the loans were either past due, or in forbearance or under administration.

ECL allowance assessment and impairment methodology

OakNorth assesses on a forward-looking basis, the Expected Credit Loss (ECL) on the financial assets held at amortised cost, including the exposure arising from loan commitments. This includes provision for lifetime ECL where the risk on the asset has significantly increased. The ECL assessment is done at an individual loan level.

Several significant judgements are required for measurement of ECL which include- determining the criteria for significant increase in credit risk (SICR), choosing appropriate Probability of Default (PD) / Loss Given Default (LGD) framework and assumptions, choosing relevant scenarios and scenario weightings. We test the performance of these models against the actual historic defaults at OakNorth at least on an annual basis.

During the current year we have used a combination of internally developed and externally sourced PD and LGD data to compute the ECL on Stage 1 loans. These PD and LGD models leverage historic industry default data and process borrower financial information and qualitative factors to estimate borrower PDs and LGDs. Through the cycle (TTC) PDs are first determined and then converted to point in time (PIT) PDs using statistical modelling tools for the purpose of calculating ECL. The models use a combination of forecast macroeconomic variables from external forecasters and forward-looking granular subsector inputs from FLR, which include but are not limited to – forecast curves for several variables such as revenues, costs, rental yields, etc, as relevant for a specific sub-sector. The methodology applies 12-month ECL calculation for Stage 1 loans and lifetime ECL calculations for Stage 2 loans. All models and assumptions are reviewed both by the Models Risk Governance Committee and the RAC and at the Board Credit Committee and the Board Audit Committee.

Macroeconomic scenarios are obtained from external forecasters. The RAC, at least on an annual basis, debates and determines the scenarios that are relevant for the Bank and recommends the scenario weightings. These are discussed at the Board Audit Committee.

Specific assessments are done for Stage 3 cases considering multiple recovery scenarios and applying weightings to the scenarios to determine the ECL. The assumptions applied for each case and the scenario weightings are subject to review and approval by the RAC. The committee may also recommend 'overlay' provisions to address any model and / or macro scenario constraints in the baseline PD/LGD models or to address any increased macroeconomic uncertainties which are not captured by the scenarios or scenario metrics as available.

Please see pages 58-61 of 2023 Annual report and Financial statements for details on: ECL allowance assessment and impairment methodology, Measurement uncertainty and sensitivity analysis of ECL estimates , Macroeconomic scenario selection and scenario probabilities , Economic outlook and uncertainties, Description of economic scenarios , Sensitivity analysis of ECL on the drawn loan book under different scenarios.

Please also see pages 93-94, 99 of 2023 Annual report and Financial statements for accounting guidance on ECL.

5.2 Forbearance

Forbearance measures consist of concessions towards a debtor facing, or about to face, difficulties in meeting its financial commitments, which OakNorth would not normally provide under its standard lending criteria and may include payments or covenant related forbearance. Forbearance concessions are granted only when they aim to restore sustainable repayment by the borrower and are in the best interest of the borrower returning to non-forborne status. Payment-related forbearance is only extended if it is expected that the customer will be able to meet the revised terms of the loan. From an IFRS 9 perspective, cases marked as forbearance are automatically categorised as IFRS 9 stage 2. IFRS 9 Stage 3 classification applies if the borrower is in default.

As at 31 December 2023, we had 15 loans that have been subject to forbearance, totalling to £154.3 million carrying value before provision (2022: 9 loans, £96.4 million). Of these, no loans were in Stage 1 (2022: 4 loans, £57.1 million), 8 loans totaling to £94.7 million were in watchlist (Stage 2) (2022: 5 loans, £39.3 million); and 7 loans totalling to £59.6 million were in Stage 3 (2022: nil).

Please see pages 53, 54 of the 2023 Annual Report and Financial statements.

5.3 Credit risk mitigation

We seek to mitigate credit risk through, inter alia, eligible collateral. The CRMF details the eligible collateral that OakNorth may accept for risk mitigation purposes. This includes but is not, limited to, debenture/ charge on fixed and floating assets, charge on freehold land or property, guarantees (personal, corporate), and cash reserves/ deposits. We have policy guidance on the valuation conditions and methods. We also have a Valuer panel management policy in relation to the external valuation firms/ quantity surveyors who can be added to OakNorth's valuation panel.

Any review of collateral is done in line with the scheduled (minimum annual) review for the credit and frequency as specific to the security type, as applicable. Independent valuations are refreshed every 3 years and any exceptions to this policy or waivers granted are specifically approved by the Head of Credit Risk, in line with the Valuation policy. Internal indexation approach is applied to exposures less than £2.5 million in line with EBA CRR rules.

Please see page 54 of the 2023 Annual Report and Financial statements.

Loan book collateralisation: As at 31 December 2023, 94% of the loan facilities were collateralised by security comprising fixed assets (including property) and charges/debentures on underlying portfolio of assets (primarily property) (2022: 94%). These exclude any charges on floating assets and guarantees not supported by charge on fixed assets.

Weighted average LTV of the loan book: The weighted average LTV of the loan book facilities collateralised by property was 52% (2022: 52%). There are no loans in Stage 1 or Stage 2 with LTVs over 90%.

5.4 Exposures subject to the Standardised Approach (excluding CVA)

2023	Credit risk exposure[a]	Avg Credit risk exposure[b]	RWA[c]	Minimum capital requirement[d]
	£'000	£'000	£'000	£'000
Central government and central banks	1,843,186	1,469,545	-	-
Institutions (subject to short term credit assessment)	68,686	103,429	18,618	1,489
Corporates	2,109,342	1,664,173	1,511,023	120,882
Secured by mortgages on immovable property	1,763,738	1,614,609	1,247,740	99,819
Exposures at default	9,282	47,933	13,922	1,114
Items belonging to regulatory high risk categories	1,401,306	1,745,135	1,412,463	112,997
Other items	33,267	33,059	33,267	2,660
Claims in the form of CIU	31,788	38,137	-	-
Total	**7,260,594**	**6,716,018**	**4,237,033**	**338,961**

[a] The gross exposures include all drawn and undrawn and committed and uncommitted facilities. These are stated prior to application of any credit conversion factors or credit risk mitigants. These exclude CVA of £7.0m as at 31 December 2023 (2022: Nil).

[b] Average credit risk exposures are calculated as the average of quarterly COREP returns.

[c] The RWA includes application of SME support factor where applicable.

[d] The Bank uses the Standardised Approach to determine the capital requirements. Under this approach, eight percent of the risk weighed assets is required to be held as Pillar 1 capital.

2022	Credit risk exposure	Avg Credit risk exposure	RWA	Minimum capital requirement
	£'000	£'000	£'000	£'000
Central government and central banks	1,439,719	987,658	-	-
Institutions	37,507	39,415	11,967	957
Corporates	1,333,611	1,227,396	903,443	72,275
Secured by mortgages on immovable property	1,317,025	1,629,063	882,431	70,594
Exposures at default	92,630	63,738	131,597	10,528
Items belonging to regulatory high-risk categories	1,892,749	1,570,863	1,622,166	129,773
Other items	25,766	19,454	25,766	2,060
Total	**6,139,007**	**5,537,586**	**3,577,369**	**286,187**

5.5 Maturity bucketing of the exposures

2023	Within 1 year	After 1 year but within 5 years	More than 5 years	Undated/ open maturity	Total
	£'000	£'000	£'000	£'000	£'000
Central government and central banks	1,843,186	-	-	-	1,843,186
Institutions (subject to short term credit assessment)	-	-	-	68,686	68,686
Lending	1,635,400	3,552,042	96,226	-	5,283,668
Other items	-	-	-	33,267	33,267
Claims in the form of CIU	31,788	-	-		31,788
Total	**3,510,374**	**3,552,042**	**96,226**	**101,952**	**7,260,594**

All exposures above are stated including undrawn facilities and before application of conversion factors. These exclude CVA of £7.0m as at 31 December 2023 (2022: Nil).

2022	Within 1 year	After 1 year but within 5 years	More than 5 years	Undated/ open maturity	Total
	£'000	£'000	£'000	£'000	£'000
Central government and central banks	1,439,719	-	-	-	1,439,719
Institutions	-	-	-	37,507	37,507
Loans to customers	1,399,421	2,991,639	244,955	-	4,636,015
Other items	-	-	-	25,766	25,766
Total	**2,839,139**	**2,991,639**	**244,955**	**63,273**	**6,139,007**

5.6 Geographical distribution

As at 31 December 2023, 96% of OakNorth's exposure was in the UK (2022: 100%) and 4% in the US and 0.1% in Jersey (2022: nil). See disclosure 4.10 on Capital Buffers.

5.7 Sectoral distribution

The Sectoral break-down of OakNorth Bank's credit risk exposures as at each reporting date is below. All exposures are stated including undrawn facilities and before application of conversion factors. These exclude CVA of £7.0m as at 31 December 2023 (2022: Nil).

2023	Central government and central banks	Financial sector	Non-Financial sector
	£'000	£'000	£'000
Central governments or central banks	1,843,186	-	-
Institutions	-	68,686	-
Loans to customers	-	489,493	4,794,176
Other items	-	-	33,267
Claims in the form of CIU	31,788		
Total	**1,874,974**	**558,178**	**4,827,442**

2022	Central government and central banks	Financial sector	Non-Financial sector
	£'000	£'000	£'000
Central governments or central banks	1,439,719	-	-
Institutions	-	37,507	-
Loans to customers	-	352,521	4,283,494
Other items	-	-	25,766
Total	**1,439,719**	**390,028**	**4,309,260**

5.8 Credit Risk: Treasury assets

Credit risk also exists in relation to Treasury assets such as investment securities and deposits/balances placed with other banks and derivative transactions.

Treasury assets as at 31 December 2023 were held in the form of UK T-Bills/gilts, balances at Bank of England reserve account, cash balances at other banks, USD money market fund investments. No assets are held for speculative purposes or actively traded.

In 2023, OakNorth entered into derivative transactions primarily for risk management purposes. The derivatives held for risk management were designated as hedging instrument in qualifying hedging relationships. Please see pages 95-96 of 2023 Annual report and Financial statements for accounting guidelines on Derivatives held for risk management purposes and pages 114-116 for disclosures in relation to derivatives.

- £900.0m notional were Interest Rate Swaps (IRS)- for the purposes of hedging interest rate risk
- £161.7m notional were cross currency interest rate swaps (CCIRS) for hedging FX risk (GBP/USD)

As at the end of 31 December 2023, we had placed £13.7m as collateral for derivatives with the derivative counterparty. There is a legally enforceable right of offset in the event of derivative counterparty default.

In relation to exposure to other banks, where available, we use publicly available credit ratings from relevant External Credit Assessment Institutions ('ECAIs'), which are mapped to credit quality steps (CQS) as per CRD IV rules, in order to assess the risk weight for standardised credit risk. Where there are two ratings available, we considers the worst rating or if there are three, two common rating are considered to determine the CQS.

6. Interest Rate Risk in the Banking Book (IRRBB)

OakNorth Bank carries interest rate risk in the banking book - the risk of loss arising from changes in the interest rates associated with banking book exposures. Interest rate risk may arise in the following forms:

Gap Risk: risk arising from repricing mismatch of assets and liabilities. The majority of the Bank's assets reprice based on the base rates while most deposit liabilities are fixed rate and managed rate.

Basis Risk: unhedged exposure to one interest rate benchmark with exposure to another interest rate benchmark that reprices under different conditions (e.g., BoE and SONIA).

Option or Prepayment Risk: borrowers redeeming fixed rate products when interest rates change, or prepaying loans for other reasons.

Our interest rate risk management approach is managed in line with the Market and Liquidity Risk Management policy, which details the management, governance process and reporting in this regard. The Treasurer is responsible for the day-to-day management of interest rate risk. The primary assessment of the interest rate risk exposure is through measurement of Economic Value of Equity (EVE) sensitivity to 200bps shift in the yield curve, application of the prescribed EBA shock scenarios, and Earning at Risk (EaR) as set in the risk appetite statement and reported monthly to ALCO.

OakNorth's business model and pricing of assets and liabilities is structured to deliver a natural hedging outcome in most circumstances. The loan book and cash at BoE reserve account are primarily variable rate, referenced mainly to the BoE base rate. Deposits, notice accounts, and certain demand deposits are primarily floating. In an increasing interest rate scenario, the loan book reprices immediately whilst the deposit book reprices on an average with a lag, resulting in a net positive outcome. In a decreasing interest rate scenario, while term deposits and notice accounts reprice with a lag, the lag is short (less than 6 months on average) and is offset partially by contractual base rate floors on all variable rate loans. The effectiveness of floors is naturally higher when interest rates are lower, but these tend to be less effective in high interest rate scenarios. Management may also use a hedging strategy to manage risks from sudden significant changes in interest rates. All of these are managed closely with ALCO oversight.

In 2023, developments in business activities and markets have led to changes in our IRRBB metrics. We have started lending in the US, primarily funded with cross currency swaps, introducing cross currency basis risk – the risk is assessed as immaterial.

During the year, we have made methodology enhancements to our EVE models, to account for changes in the business. OakNorth continuously reviews and develops IRRBB models.

The Net Present Value (NPV) Sensitivity measures below are an assessment of the repricing exposure on notional positions in different assets, liabilities, and derivative positions by time-bucket, given an instantaneous 200 bps upward and downward shift in all yield curves. This provides a view of how the net present value of the Bank's notional balance sheet positions would change in response to such a shock. The assessment reflects the impact of the interest rate floors OakNorth has in place in its lending contracts, the impact of the average gap to the rate floors which would be realised before the floors come into effect when rates move downwards and, the impact of early repayments that might arise in an environment where interest rate floors have come into effect. The forward rate curves for Sterling Overnight Index Average (SONIA) are used to calculate the future net interest income on GBP denominated asset/ liability positions and Secured Overnight Financing Rate (SOFR)forward rates curves are used for USD denominated asset/ liability positions. The spot curves for these benchmark rates are used for discounting the cash flows in the respective currencies.

	As at 31 December 2023	As at 31 December 2022
	£mn	£mn
NPV Sensitivity to +2% shift (including rate floors)	26.2	20.2
NPV Sensitivity to -2% shift (including rate floors)	18.3	(3.7)

During 2023, the IRRB metrics have remained within OakNorth's risk appetite.

Please see pages 62-63 of 2023 Annual report and Financial statements.

7. Liquidity & Foreign exchange (FX) risk

Liquidity risk is defined as the risk that OakNorth is unable to meet its contractual financial obligations as they fall due. We consider funding and liquidity risks as key risks that could challenge the survival in a stressed environment and limit the Bank's growth aspirations and profitability under normal conditions. The main liquidity risk faced by OakNorth is that of a retail deposit funding stress such that retail deposits may be withdrawn by customers at their earliest contractual maturity. As at 31 December 2023, over 94% of our deposit balances continued to be protected under the Financial Services Compensation Scheme (FSCS) (2022: 94%).

We maintain a prudent approach to managing liquidity ensuring we hold sufficient high quality liquid assets and liquidity buffers to meet financial and regulatory commitments over an extended period in line with the Board's risk appetite and the PRA ILAA requirements, both of which are detailed in the Bank's ILAAP document.

The key risk metrics that are used by the Bank to monitor and measure its liquidity risk include (but are not limited to) – Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), levels of High-Quality Liquid Assets (HQLA) including under stress, peak deposit outflows, etc. There are risk appetite limits set for each of these metrics under 'business as usual', early warning indicators, and internal limits.

Stress testing is an integral part of the overall governance and liquidity risk management framework of OakNorth. As part of the ILAAP process, the liquidity stress testing process evaluates the levels of outflows and the adequacy of liquidity resources available under 'severe but plausible' potential stress scenarios, which are based on the key risks in the business (idiosyncratic risks) and the macro environment. The ALCO and the Board review, challenge and approve the stress scenarios and outcomes. The stress testing process helps ensure that OakNorth has sufficient liquidity under severe but plausible stress conditions and confirms the adequacy of the liquidity risk appetite limits.

The ALCO is responsible for setting and monitoring the appropriate thresholds and limits on the capital and liquidity risk drivers, the day-to-day decision-making process around early warning indicators and ensuring that OakNorth remains on target and within its capital and liquidity risk appetite. Independent oversight is provided by the second line Risk function. ALCO also conducts risk appetite appraisals to ensure that the Capital and Liquidity risk appetite statements are up to date and remain relevant to the operations.

During the year we commenced a USD lending pilot in the US market and as part of the funding strategy, entered into cross currency interest rate swaps (CCIRS), swapping GBP funding to USD. OakNorth's USD denominated balances primarily comprised £145.5 million of drawn loans, £31.8 million of money market funds and £0.8 million of cash at other banks. As at 31 December 2023, the CCIRS were designated as fair value hedges with foreign currency as hedged risk and underlying hedged items being the USD loans and the investments in USD money market funds.

Throughout the year, OakNorth complied with all the regulatory liquidity measures and continued to maintain surplus over the requirements. There is no material change to the liquidity risk management policy and strategy as compared to the prior year. All metrics were within OakNorth's risk appetite limits.

Please see page 63 of 2023 Annual report and Financial statements.

7.1 UK LIQ1 - Quantitative information of LCR

Scope of consolidation: (solo)	Total unweighted value (average £'000)				Total weighted value (average £'000)			
Quarter ending on (DD Month YYY)	Dec-23	Sep-23	Jun-23	Mar-23	Dec-23	Sep-23	Jun-23	Mar-23
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-Quality Liquid Assets								
Total high-quality liquid assets (HQLA)					1,441,255	1,309,829	1,097,569	908,624
Cash - Outflows								
Retail deposits and deposits from small business customers, of which:	1,293,529	1,254,038	1,230,373	1,246,350	318,697	313,510	292,142	279,756
Less stable deposits	1,293,529	1,254,038	1,230,373	1,246,350	318,697	313,510	292,142	279,756
Unsecured wholesale funding	67,145	54,114	41,578	34,612	25,982	22,309	20,503	19,990
Non-operational deposits (all counterparties)	67,145	54,114	41,578	34,612	25,982	22,309	20,503	19,990

Scope of consolidation: (solo)	Total unweighted value (average £'000)				Total weighted value (average £'000)			
Quarter ending on (DD Month YYY)	Dec-23	Sep-23	Jun-23	Mar-23	Dec-23	Sep-23	Jun-23	Mar-23
Secured wholesale funding					-	-	-	-
Additional requirements	406,456	412,085	419,745	434,963	40,646	41,208	41,974	43,496
Credit and liquidity facilities	406,456	412,085	419,745	434,963	40,646	41,208	41,974	43,496
Other contractual funding obligations	12,468	12,882	12,326	7,895	9,007	9,809	9,641	5,427
Other contingent funding obligations	122,617	104,488	78,148	59,965	122,617	102,614	70,185	46,352
Total cash outflows					516,949	489,451	434,445	395,022
Cash - Inflows								
Inflows from fully performing exposures	192,445	193,913	190,437	174,013	134,400	131,469	126,669	111,957
Other cash inflows	8,372	7,687	6,992	5,898	8,372	7,687	6,992	5,898
(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)					-	-	-	-
Total cash outflows					142,773	139,156	133,661	117,855
Inflows subject to 75% cap					142,773	139,156	133,661	117,855
Total adjusted value								
Liquidity Buffer					1,441,255	1,309,829	1,097,569	908,624
Total net cash outflows					374,177	350,295	300,784	277,167
Liquidity coverage ratio					385%	374%	365%	328%

7.2 UK LIQ2 - Net Stable Funding Ratio

£'000	Unweighted value by residual maturity (average)				Weighted value (average)
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	768,897			32,500	801,397
Own funds	768,897	-	-	32,500	801,397
Retail deposits	-	2,834,781	895,060	349,495	3,706,353
Less stable deposits	-	2,834,781	895,060	349,495	3,706,353
Wholesale funding:	-	88,179	1,312	-	44,746
Other wholesale funding	-	88,179	1,312	-	44,746
Interdependent liabilities	-	-	-	-	-
Other liabilities:	-	39,699	16,496	278,950	278,950
NSFR derivative liabilities	-	-	-	-	-

£'000	Unweighted value by residual maturity (average)				Weighted value (average)
	No maturity	‹ 6 months	6 months to ‹ 1yr	≥ 1yr	
All other liabilities and capital instruments not included in the above categories	-	39,699	16,496	278,950	278,950
Total available stable funding (ASF)	**-**	**-**	**-**	**-**	**4,831,446**
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)	-	-	-	-	**11,637,868**
Performing loans and securities:	-	**962,349**	**589,653**	**2,233,665**	**2,814,871**
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	-	453,947	404,764	1,592,160	1,825,085
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
Performing residential mortgages, of which:	-	127,811	94,956	410,244	417,696
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	25,521	19,221	211,973	160,154
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	-	380,591	89,933	231,262	572,089
Interdependent assets	-	-	-	-	-
Other assets:	-	968,096	15,934	84,504	158,287
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-		3,900		3,315
NSFR derivative assets	-		784		784
NSFR derivative liabilities before deduction of variation margin posted	-		-		-
All other assets not included in the above categories	-	963,412	15,934	84,504	154,188
Off-balance sheet items	-	405,774	-	-	20,289
Total RSF	**-**	**-**	**-**	**-**	**2,993,447**
Net Stable Funding Ratio (%)	**-**	**-**	**-**	**-**	**161%**

8. Operational risk; Conduct, compliance, and financial crime; Cyber Risk

Operational risk is defined as the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems, or external events. We aim to mitigate each risk with robust controls and monitoring.

We have set a low-risk appetite for any operational loss. We have a defined Operational Risk policy and a framework of risk mitigation processes. The first line of defence ensures that any operational risk in their area is assessed and mitigated through clearly defined and documented process documents (Standard Operating Procedures) which are continuously updated. The control framework is defined, reviewed, and monitored through the RCSA process, again continuously updated. In addition, a programme of second-line and third-line thematic reviews and monitoring ensures independent challenge and review. Appropriate risk limits and their thresholds and early warning indicators are set, and the key processes are reviewed for effectiveness through first line and second line assurance testing at a frequency determined using a risk-based approach. Appropriate MI on process effectiveness and any events or near misses, and the root cause analysis thereof, is reported monthly to senior management. This area of risk is overseen by the OpCo, ERC, and the BRCC.

The Bank has a Business Continuity & Crisis Management Plan (BCP) in place that establishes systems of prevention and recovery to deal with potential threats. A Business Impact Analysis (BIA) is conducted annually to identify and quantify the operational and financial impact from foreseen crisis events. The BIA establishes the criticality of partners, applications, infrastructure, people assets, business processes, operational activities, and their respective interdependencies, defines the recovery objectives i.e., Recovery Time Objectives where applicable and Recovery Point Objectives, and links to planning for contingencies and back-up arrangements.

During the year the Bank continued its Operational Resilience programme which focuses on continuous improvement through the identification and remediation of vulnerabilities through periodic testing. In accordance with PRA and FCA expectations, the Bank has defined its important business services and impact tolerances, and all have been met throughout the year. The services are mapped, and controls and contingencies are fully planned. A programme of individual component testing and more complex multi-component testing and drills ensures that we can identify vulnerabilities to continually strengthen our resilience.

In relation to conduct, compliance and financial crime related risks, adherence to all applicable regulatory rules, guidance and expectations is a key focus of the Bank, particularly those regarding Conduct, Compliance and Financial Crime. OakNorth, always, aims to do the right thing for its customers and keep them, and the integrity of the markets in which they operate, at the heart of what we do. We have no appetite for any breach of law, regulation, code or standard of conduct or compliance.

We also ensure that we effectively manage reputational risk, defined as the risk to its public image from a failure to meet stakeholders' expectations in relation to performance, conduct or business profile. Stakeholders include customers, investors, employees, suppliers, government, regulators, and other group companies.

The Bank has an independent and specialist second line Financial Crime and Compliance function, providing advice and guidance and a continuous programme of assurance through structured monitoring plans, delivered on a risk-based approach. The function also provides training, project/new business support, policy oversight and various other risk management activities to ensure the Bank complies with all its legal and regulatory responsibilities. Tailored management information on all compliance themes is reported monthly to senior management. This area of risk is overseen by the Enterprise Risk Committee and the Board Risk & Compliance Committee.

In relation to cyber risk, at OakNorth, safeguarding our information and systems against increasingly advanced cyber threats is paramount. Maintaining a proactive and robust cyber risk management programme has enabled us to mitigate emerging threats and avoid any significant incidents, thereby protecting our ongoing operations and our customers.

We leverage robust cloud services and advanced cybersecurity solutions to support a resilient IT infrastructure. We deploy a 'Defence in Depth' approach (including firewalls, VPNs, encryption, and robust monitoring tools), and combined with our in-house 24/7 Security Operations Center (SOC) and regular independent penetration testing processes, we test and validate our multi-layered defense setup. We adhere to the NIST RMF and conduct regular cybersecurity maturity assessments against the Bank of England's Cyber Resilience Questionnaire (CQUEST) self-assessment co-developed by the PRA and FCA, and the NIST framework.

Please see pages 63-64 of 2023 Annual report and Financial statements.

8.1 Operational risk capital charge computation

The operational risk capital charge for OakNorth Bank under Pillar 1 is calculated using the Basic Indicator Approach, whereby a 15 per cent multiplier is applied to the 3-year historical average net interest and fee income. Based on this computation, the capital charge for the period ended 31 December 2023 was £26.7 million (2022: £21.0 million).

Banking activities	2023 (£'000)				
	Relevant indicator			Own funds requirements	Risk weighted exposure amount
	Year-3	Year-2	Last year		
Banking activities subject to basic indicator approach (BIA)	140,116	176,190	217,000	26,665	333,317

Banking activities	2022 (£'000)				
	Relevant indicator			Own funds requirements	Risk weighted exposure amount
	Year-3	Year-2	Last year		
Banking activities subject to basic indicator approach (BIA)	104,341	140,116	176,190	21,032	262,904

9. Climate Risk

9.1 Climate stress tests, ICAAP, and scenario analysis

We apply the Bank of England's Climate Biennial Exploratory Scenario (CBES) scenarios to our loan book to stress test for climate risk exposure, which primarily comprises assessment of:

Transition risks- that estimate how low-carbon policy and technological transition towards mitigating climate change could impact the loan book.

Physical risks- that estimate potential loss impact due to physical perils such as flood risk.

This is also included as part of OakNorth Bank's annual ICAAP. The outcome of the stress tests is to:

- Gauge the financial exposures of participants and the financial system more broadly to climate-related risks.
- Understand the challenges to participants' business models from these risks; and gauge their likely responses and the implications for the provision of financial services.
- Assist participants in enhancing their management of climate-related financial risks. This includes engaging counterparties to understand their vulnerability to climate change.

The exercise considers two routes to net zero greenhouse gas emissions and a scenario for growing emissions:

Early Action: the transition to a net-zero economy starts now so carbon taxes and other policies intensify relatively gradually over the scenario horizon. Global carbon dioxide emissions are reduced to net-zero by around 2050. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels.

Late Action: The implementation of policy to drive the transition is delayed until 2031 and is then more sudden and disorderly. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels.

The No Additional Action: Scenario primarily explores physical risks from climate change. Here, there are no new climate policies introduced beyond those already implemented. The absence of transition policies leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase, reaching 3.3°C relative to pre-industrial levels by the end of the scenario (2050).

We continue to refine our granular, sector-specific scenario analysis of the possible impact of climate risk on our borrowers and therefore our capital requirements, which in 2023 included incorporating more UK-specific sector transition pathways in our modelling. By leveraging the scenarios and time horizons from the Bank of England's Biennial Exploratory Scenario, and the ON Climate Impact Framework (part of the ON Credit Intelligence suite), we assess each of our loans to evaluate the possible impact this would have on credit risk across our loan book.

9.2 Transition risk

Transition risk is assessed for all loans, including those with negligible / residual impact, leveraging granular, sector specific forecasts from OakNorth Credit Intelligence that estimate how low-carbon policy and technological transition towards mitigating climate change could impact the book across the three scenarios mentioned above.

The OakNorth framework divides the universe of sub-sectors (OakNorth's existing repository of unique sub-sector scenarios) based on the degree of impact into three distinct categories i.e. Direct Impact, Indirect Impact and Residual Impact based on the carbon intensity of individual sub-sectors. The scenarios process the outputs in form of OakNorth's view on 3 distinct parameters - operating costs (e.g. policy driven costs like carbon taxes or supply-chain driven increased emission costs); capex (the incremental capital investments to be undertaken by businesses to transition to a low-carbon economy); and revenue (ego shut-down of certain product lines, lower demand due to shift in consumer preferences, increase in price due to pass-through of certain proportion of the emission costs to the consumers), for each borrower. These impacts are used to forecast impact on the borrower metrics such as interest cover ratios or loan-to-value for collateralised portfolio over the transition periods. The credit metrics are further assessed to determine impact on whether the borrower is expected to operate within or outside of OakNorth's credit risk appetites or is expected to be in losses.

9.3 Physical risk

Physical risk is defined as potential loss caused by climate-related events. The primary physical risk perils highlighted by the Bank of England are Floods, Cyclones and Heatwaves. Of these , the risks of cyclones, heatwaves, wildfires, and drought are not expected to be material for the UK.

Our consideration of physical climate risks includes the capture and assessment of flood risk (surface water flood risk and river and sea water flood risk) as the key risk and the built area and consideration of energy efficiency rating (EPC) for all collateral within our property development and investment portfolios.

For flood risk, we classify the portfolio under levels of risk (no risk/ very low risk/ low risk / medium risk and high risk) and we evaluate the risk impact on the collaterals to determine any potential losses over the life of the loan.

Our plan is to evaluate granular Value at Risk (VaR) assessment for physical risk consistent with the ON Climate Impact Framework. This would imply assessment of business disruption, property damage for each borrower emanating due to (i) Acute risk – extreme weather events, and (ii) Chronic risk – gradual incremental climate change.

9.4 Summary of impacts in the CBES scenarios from the Bank of England

Across our assessments for both transition and physical risk, we concluded that while climate risk will have an impact on several borrowers, this is well within the collateral and financial coverage already in place for nearly all instances. Only 0.5% of our total book – which equates to a few borrowers – are directly impacted under the transitional risk assessment, and these can survive across all three scenarios with minimal impact compared to base case. As summarised in the following table, there are no material expected losses across the loan book under all three transition scenarios applied up to 2050. This is also supported by the maturity duration of OakNorth's loan book which is largely within five years.

Climate risk scenarios	Climate risk impact
Early action from 2021 (1.8^{0}c risk in temprature by 2050)	No Expected Losses Due to Climate Impact; LTV and DSCR within appetite / acceptable for all loans
Late action from 2031 (1.8^{0}c risk in temprature by 2050)	No Expected Losses Due to Climate Impact; LTV and DSCR within appetite / acceptable for all loans
No additional action (3.3^{0}c risk in temprature by 2050)	No Expected Losses Due to Climate Impact; LTV and DSCR within appetite / acceptable for all loans

Note: Loan book as of 31-Oct-23; Stage-3 loans are not part of the analysis

In relation to Physical risk as well we do not expect any material losses under our current scenarios. We ensure that our borrowers have sufficient coverage with insurances against physical risks wherever relevant as part of our credit analysis at origination.

Please see pages 29-32 of the 2023 Annual Report and Financial statements for climate risk management disclosures.

10. Asset encumbrance

10.1 Borrowings under the BoE's Term Funding Scheme

As at 31 December 2023, OakNorth had borrowed £200.0 million (2022: £200.0 million under BoE's TFS scheme) under the Bank of England's (BoE) Term Funding scheme for SME (TFSME). The scheme closed for new drawdowns in October 2021. The interest payable on the borrowings is linked to the BoE base rate, which was 525 bps as at 31 December 2023 (2022: 350 bps). The borrowing is repayable in October 2025. The borrowing is collateralised against Gilts & Treasury Bills portfolio of £205.9 million (2022: £204.0 million). The borrowing is held at amortised cost.

	2023 (£'000)	2022 (£'000)
Borrowings under the BoE's Term Funding Scheme	202,647	201,423
Amounts due:		
- over one year but less than five years	**202,647**	**201,423**

10.2 UK AE1 - Encumbered and unencumbered assets

2023 (£'000)	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 EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	**205,872**				**5,593,963**	**1,665,093**		
Equity instruments					31,788	31,637	31,788	31,637
Debt securities	205,872	205,872	205,872	205,872				
of which: issued by general governments	205,872	205,872	205,872	205,872				
Other assets					5,562,175	1,633,456		

2022 (£'000)	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 EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	**204,005**				**4,446,035**	**1,233,775**		
Debt securities	204,005	204,005	204,005	204,005				
of which: issued by general governments	204,005	204,005	204,005	204,005				
Other assets					4,446,035	1,233,775		

10.3 UK AE3 - Sources of encumbrance

2023 (£'000)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	**202,647**	**205,872**

2022 (£'000)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	**201,423**	**204,005**

11. Appendix- Own funds disclosures templates

11.1 Capital Instruments main features template

TABLE: CAPITAL INSTRUMENTS MAIN FEATURES TEMPLATE

Capital Instruments main features template	CET1	Tier 2
Issuer	OakNorth Bank plc	OakNorth Bank plc
Unique identifier	None	XS2735501947
Public or private placement	Private	Private
Governing law(s) of the instrument	English	English
Contractual recognition of write down and conversion powers of resolution authorities	n/a	No
Regulatory treatment		
Transitional CRR rules	Common Equity Tier 1	Tier 2
Post-transitional CRR rules	Common Equity Tier 1	Tier 2
Eligible at solo/(sub-) consolidated/ solo&(sub-) consolidated	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	Ordinary share capital	Subordinated debt
Amount recognised in regulatory capital (currency in '000, as of most recent reporting date)	£389,320	£30,000
Nominal amount of instrument ('000)	£389,320	£30,000
Issue price	N/A	100% of nominal amount
Redemption price	N/A	Principal plus accrued and unpaid interest
Accounting classification	Shareholders' equity	Liability – amortised cost
Original date of issuance	First issuance - June 2013 (incorporation). Subsequent issuances in 2014, 2015, 2016, 2017 and 2018. Filings for all issuances available under "Statement of capital following an allotment of shares" available on UK Companies House https://beta.companieshouse.gov.uk/company/08595042/filing-history	19-Dec-23
Perpetual or dated	Perpetual	Dated
Original maturity date	No maturity	19-Mar-2034

TABLE: CAPITAL INSTRUMENTS MAIN FEATURES TEMPLATE

Capital Instruments main features template	CET1	Tier 2
Issuer call subject to prior supervisory approval	No	Yes
Optional call date, contingent call dates and redemption amount	N/A	From any date in the period commencing on (and including) 19 December 2028 to (and including) 19 March 2029
Subsequent call dates, if applicable	N/A	None
Coupons / dividends		
Fixed or floating dividend/coupon	Discretionary dividend	Fixed
Coupon rate and any related index	N/A	Initial coupon is 12.987 per cent. per annum, payable semi-annually in arrear
Existence of a dividend stopper	N/A	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	N/A	No
Noncumulative or cumulative	N/A	Non-cumulative
Convertible or non-convertible	N/A	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A
Write-down features	N/A	None contractual. Notes may be subject to the exercise of UK Statutory Loss Absorption Powers by the Relevant Resolution Authority in accordance with the Part 1 of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks or other financial institutions
If write-down, write-down trigger(s)	N/A	N/A
If write-down, full or partial	N/A	N/A
If write-down, permanent or temporary	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A

TABLE: CAPITAL INSTRUMENTS MAIN FEATURES TEMPLATE

Capital Instruments main features template	CET1	Tier 2
Type of subordination (only for eligible liabilities)		
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Eligible senior claims
Non-compliant transitioned features	No	No
If yes, specify non-compliant features	N/A	N/A
Link to the full term and conditions of the instrument (signposting)	Class of shares is available in the companies house filings of OakNorth Bank Plc on https://find-and-update.company-information.service.gov.uk/company/08595042/filing-history	N/A as the instrument is a private placement

11.2 UK CC1- Composition of regulatory own funds

TEMPLATE UK CC1 - COMPOSITION OF REGULATORY OWN FUNDS

	31-Dec-23	31-Dec-22
Capital instruments and the related share premium accounts	389,320	389,320
of which: Ordinary shares	389,320	389,320
Retained earnings	484,309	350,074
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,411	135
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**876,040**	**739,529**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	(5,639)	(4,290)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met)	(367)	(1,012)
Fair value reserves related to gains or losses on cash flow hedges	(2,260)	-
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	N/A	N/A
Regulatory adjustments applied to common equity tier 1 in respect of amounts subject to pre-CRR treatment	(14,250)	(14,250)
Total regulatory adjustments to common equity tier 1 capital	**(22,516)**	**(19,552)**
Common equity tier 1 capital	**853,523**	**719,977**
Additional tier 1 capital: instruments		
Additional tier 1 capital	N/A	N/A
Tier 1 capital	**853,523**	**719,977**

TEMPLATE UK CC1 - COMPOSITION OF REGULATORY OWN FUNDS

	31-Dec-23	31-Dec-22
Tier 2 capital: instruments and provisions		
Capital instruments	30,000	50,000
Total regulatory adjustments to tier 2 capital	-	-
Tier 2 capital	**30,000**	**50,000**
Total capital	**883,523**	**769,977**
Total risk weighted assets	**4,577,382**	**3,840,274**
Capital ratios and buffers		
Common equity tier 1 (as a percentage of risk exposure amount)	18.6%	18.7%
Tier 1 (as a percentage of risk exposure amount)	18.6%	18.7%
Total capital (as a percentage of risk exposure amount)	19.3%	20.1%
Institution specific buffer requirement (common equity tier 1 capital requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	4.4%	3.5%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	1.9%	1.0%
of which: systemic risk buffer requirement	N/A	N/A
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	N/A	N/A
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.6%	12.6%

Note that any blank cells, cells that do not apply to OakNorth or are not applicable have been removed from this disclosure.

12. Remuneration disclosures

This document describes the remuneration policy and governance of OakNorth Bank plc ("OakNorth Bank", "OakNorth", "the Bank") and discloses details of the remuneration of the Bank's 26 "Code Staff" (see below) for the year ending 31 December 2023.

These disclosures are made in accordance with Article 450 of the Capital Requirements Regulation (CRR) and should be read in conjunction with the 2023 Annual Report and Financial statements.

12.1 Approach to remuneration

The approach taken by OakNorth Bank in respect of remuneration emanates from a combination of regulatory guidance, in particular the dual-regulated firm's Remuneration Code (https://fshandbook.info/FS/html/handbook/SYSC/19D), [as appropriate for Level 3 firms], the rules on remuneration published by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) (http://www.bankofengland.co.uk/pra/Pages/publications/ps/2015/ps1215.aspx), and our own best judgement regarding the design of attractive awards and incentive packages which are effective in not only recruiting and retaining staff, but also in meeting the judicious risk appetite and long term interests of the Bank. Fundamentally, our approach to remuneration is based on promoting and rewarding the right behaviours which ensure that the interests of our customers and long-term value creation are at the heart of our thinking and at the forefront of everything we do.

Our Board Remuneration and Nomination Committee (REMCO & NOMCO) further serves to assure, through its oversight function, the alignment of remuneration with both the strategic aims of OakNorth Bank and regulatory compliance requirements.

Additionally, due to the size and maturity of our business, OakNorth Bank applies the proportionality principle (SYSC 19A.3.3R(2)) to ensure the practices and processes we promote are "appropriate to [our] size, internal organisation and the nature, the scope and the complexity of [our] activities."

In practically applying PRA and FCA guidance, OakNorth Bank classifies its employees as either Code or Non-Code Staff. Code staff are comprised of Senior Managers (covered by the Senior Managers Regime), Risk Managers excluding those covered by the Senior Managers Regime, and all other Material Risk Takers (MRTs). During 2023, OakNorth employed 34 Code Staff (3 Executive Directors, 5 Non-Executive Directors, and 26 Senior Managers and additional MRTs). For completeness, 2 MRTs left the organisation in 2022, making the number of Senior Managers and additional MRTs as of 31 December 2023, 26 in total.

OakNorth Bank further seeks to calibrate its approach to remuneration through a regular review of its remuneration policy and practices, at least annually. We use both external benchmarks issued by various professional bodies as well as internal reviews by our first line owners, second line oversight and, as relevant, the Remuneration and Nomination Committee and Internal Audit.

12.2 Board Remuneration and Nomination Committee (REMCO & NOMCO)

The Board Remuneration and Nomination Committee is responsible for ensuring that remuneration arrangements support the strategic aims of OakNorth Bank, drive the right behaviours from staff, comply with best practices, and with the requirements of regulation. All remuneration is set in line with the Remuneration Code (SYSC 19D, as relevant to proportionality level 3 firms). The Committee has delegated authority from the Board for the review and approval of the Remuneration Policy, setting remuneration and remuneration structure for all Executive Directors, Non-Executive Directors (NEDs) including the Chairman and other key individuals such as Senior Managers and employees captured under the scope of the Certification Regime. The Committee reviews and recommends, alongside the Board, the selection and appointment of Board members as well as the Board structure. The independent Non-Executive Directors are entitled to yearly fees for attending Board or Committee meetings at the rate that may be agreed upon between the Shareholders and the Board of Directors from time to time. Changes in Board compensation, if any, arise out of the recommendation of the Board Remuneration and Nomination Committee with necessary approvals by the Board, Shareholders and PRA and FCA as appropriate.

The Committee's membership is formed by the Chairman (Chair of the Remuneration and Nomination Committee), the Senior Independent Director (SID), 2 Independent Non-Executive Directors (INED) and 1 Notified Non-Executive Director. The Chief Executive Officer (CEO), Senior Managing Director (SMD) are standing invitees at each meeting but are not voting members. The People Operations Director acts as Secretary to the Committee. The Committee held three meetings during 2023, as called by the Committee Chairman. At least once per annum the Chief Risk Officer (CRO) and Chief Financial Officer (CFO) advise the Committee on specific risk adjustments to be applied to performance objectives of the Executive Directors and any Code Staff, set in the context of incentive packages.

The Board Remuneration and Nomination Committee has access to sufficient resources in order to carry out its duties and is able to use any forms of resources the committee deems appropriate, including external advice. A Remuneration and Performance Management audit was completed in January 2024 and focused on the governance and underlying processes in place to ensure the Bank complies with the requirements of the remuneration code and various linked requirements in the Corporate Governance Code. The approach included the review of the remuneration policy, committee packs and minutes and any actions to further strengthen our remuneration practices have since been completed. The Committee will continue to receive appropriate funding as and when required and shall oversee any investigation of activities which are within its terms of reference and address any other matters referred to it by the Board.

An external Board evaluation of the Bank was carried out by Manchester Square Partners (MSP) in Q4 2023. As part of the review, MSP had one-to-one meetings with each of the Board Directors, as well as members of OakNorth's senior management team. It was also given access to relevant Board papers and attended a Board meeting and Audit, Credit and Risk & Compliance Committee meetings as an observer. Overall, the assessment concluded that the Board operates highly effectively, is well chaired and is comprised of high-quality individuals who provide appropriate challenges and support to the Executive Directors and the Bank. One of the actions from the Board Effectiveness Review was to review the Remuneration Committee and Nomination Committee membership and structure. Moving forward it is proposed that the Board Remuneration Committee and Nomination Committee be split into 2 separate committees. This will be actioned in 2024.

12.3 Board Diversity

Through our diversity and inclusion policy, the Bank asserts its commitment to increase diversity at all levels and to provide equal opportunities throughout employment, including in recruitment, training and promotion of employees. The Bank is passionate about eliminating discrimination in the workplace, and all job applicants and employees are treated fairly and assessed solely on merit. We believe in promoting a diverse workplace in which different backgrounds, voices, and perspectives are respected and heard. We aim to attract people who possess the right competencies and talents, irrespective of gender, race, religion, sexual orientation, or social circumstance, and who contribute to a high-performing organisation. During the previous year (2022) we started measuring and further developing the cognitive diversity within our teams. We are looking to hire people who think differently about business issues, in an effort to reduce risks associated with "group think". We have partnered with Basadur

Profile, a company providing psychometric tools and measurement of individual thinking styles, to further enable our teams to capitalise on cognitive diversity and drive positive outcomes. Our diversity commitment applies equally to members of the Board of Directors. All Board of Directors appointments are made solely on merit, in the context of the skills, experience, independence and knowledge which the Board of Directors requires to be effective. During 2023, we started analysing the initial findings of our gender pay gap, and started identifying the areas where this can be improved. Although OakNorth has not yet met the threshold for reporting the gender pay gap, we feel it is prudent to start our initial analysis.

We further consider inclusion, acceptance and respect as important factors in maintaining and growing diversity. This means that with respect to external efforts we are proactive and open minded when it comes to recruitment and don't narrowly consider talent pools. Internally we encourage collaboration, decision-making, and advancement by all members, equally, across our employee population.

12.4 Board Recruitment

The Board of Directors has the authority to select and appoint Board members as well as define and approve the Board structure following recommendations from the relevant Board Committees.

The Board Remuneration and Nomination Committee takes delegated authority from the Board of Directors to determine the policy and approval process for the Executive Directors and other Senior Management taking-up external non-executive appointments. It also leads the Board review and approval of the conditions and terms of service agreements of the Executive Directors and, in conjunction with the Executive Directors, the terms of appointment of the Chairman.

In evaluating the suitability of individual Board members, the Board, following recommendations from the Board Remuneration and Nomination Committee, considers many factors, including a general understanding of the Bank's business dynamics, social perspective, educational and professional background and personal achievements. Directors must possess experience at policy-making and operational levels in banks or financial institutions that will indicate their ability to make meaningful contributions to the Board's discussion and decision-making in the array of complex issues facing the Bank. Directors should possess the highest personal and professional ethics, integrity and values. The Committee evaluates each individual with the objective of having a group that best enables the success of the Bank.

Both the Board and the Board Remuneration and Nomination Committee have the responsibility for identifying suitable candidates in the event of a new position becoming open or vacancy being created on the Board on account of retirement, resignation or demise of an existing Board member. Based on recommendations from the Board Remuneration and Nomination Committee, the Board evaluates the candidate(s) and selects the appropriate member. The Committee also considers candidates recommended by shareholders, if any.

In August 2022, the Bank appointed Timo Boldt as a Notified Non-Executive Director. Timo is the Founder and CEO of Gousto, which pioneered the recipe box offering in the UK when it was established in April 2012. Since then, it has grown to a profitable Unicorn business, with £315 million in revenue in 2021. Timo brings deep experience in data, technology, automation, and marketing – all of which will prove invaluable as we continue to expand our offering and digital capabilities. He also brings further entrepreneurial experience to our Board of Directors, having started and scaled a successful business in Gousto.

In January 2024, Lord Adair Turner has been appointed as the Chairman of OakNorth Bank Plc, and Cyrus Ardalan has stepped down as the Chairman effective 31-Dec-2023. This was in line with the Corporate Governance Code, where there is a requirement to change Chairman at a minimum every 9 years.

12.5 Remuneration Policy

OakNorth Bank's Remuneration Policy is applicable to all employees [the Board of Directors has adopted the Remuneration Policy at the proposal of RemCo & NomCo] and a review is undertaken annually to assess its implementation and compliance with the Remuneration Code, EBA Guidelines and other relevant rules and guidance. Additionally, as required in the dual-regulated firms Remuneration Code, the Bank sets forth its compliance with Article 96 of the Capital Requirements Directive on its website under CRD IV Disclosures and Article 450 of the Capital Requirement Regulation in line with CRD V.

The Bank's Remuneration Policy was developed, and will be implemented in line with, the Bank's values and long-term strategic interests. A key objective of the Policy is to enable OakNorth to recruit and retain the highest calibre talent capable of achieving the Bank's objectives and to encourage and reward superior performance and creation of shareholder value, within the guidelines of the FCA and PRA..

A further objective of the Policy is to ensure that the remuneration practices of the Bank are consistent with and promote sound and effective risk management. To achieve the balanced aim of rewarding performance based on value generation and maintaining prudent controls, the Bank will administer a transparent system of granting rewards and variable remuneration that meets the stated performance objectives of the institution, business areas and staff. When evaluating performance objectives, the Bank will always look at risk adjusted vs. absolute outcomes that consider all risk types (e.g. credit, market, operational, liquidity, reputational environmental and other risks, etc.). The Bank will always strive to incorporate financial services best practices in its remuneration planning, while maintaining and valuing ethics and customer interests as a central tenet and top priority.

The Bank's Policy does not encourage the assumption of risks that exceed the risk appetite of the Bank. The Remuneration Policy will enable the provision of incentives to staff that both promote the Bank's long-term strategic objectives and protect its underlying financial health and operational integrity. The Bank will always give priority to considerations of risk management, regulatory and compliance legislation and guidelines, key stakeholder expectations and Bank procedures.

The following Guiding Principles underpin OakNorth Bank's Remuneration Policy:

- Interests of our Employees are aligned with the long-term interests of the Bank, shareholders, investors and other stakeholders in the Bank as well as the public interest.
- All remuneration, including variable and deferred, shall be paid or vested according to the financial situation of OakNorth as a whole, and justified on the basis of the performance of OakNorth including the business unit and the individual concerned.
- Incentives will be based on financial and non-financial criteria (as per SYSC 19.3.40) including an employee's adherence to risk management guidelines and compliance with regulatory requirements both onshore and overseas as applicable.
- Bank's Risk Management and Compliance functions will have appropriate input into setting the remuneration policy for other business areas to minimise any undue risks the Bank may be otherwise subject to without this oversight and provide appropriate input into the initial objective setting and subsequent assessment of the First line's individual and team performance.
- Principles of "malus" and "clawback" will be implemented where relevant.

Based on the FCA Guidance on proportionality, OakNorth Bank is a proportionality level 3 firm as its total assets average less than £4bn over the 4 years preceding the current financial year. Accordingly, OakNorth may disapply under the Dual-regulated firms remuneration principles proportionality rule.

In summary, our Remuneration Policy and Approach considers, and will continue to evaluate throughout its evolution: risk-adjusted business performance, delivering good customer outcomes and customer satisfaction, behaviours such as teamwork, collaboration and maintaining a high-quality control environment.

12.6 Remuneration Structure

OakNorth Bank seeks to combine various remuneration/incentive components to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee's seniority in the professional activity as well as market practice. The four remuneration components that every employee is eligible to receive include: 1) Base Salary; 2) Benefits; 3) Cash Bonus (immediate and deferred) and 4) Employee Shareholder Share Scheme ("ESS") / Share Option Plan Scheme ("ESOP"). These remuneration components are used to reward employees' firm-wide. The pay-out to the Bank's origination team is governed under a separate scheme known as the Debt Finance Team Incentive Scheme (DFTIS). The DFTIS was designed in accordance with the guiding principles of this policy, including being based on risk-adjusted performance measures, taking into account the cost of capital and liquidity, and being subject to clawback.

Any measurement of performance used to calculate variable remuneration components, or pools of variable remuneration components, shall take into account all types of current and future risks. This will include:

- adjustments for all types of current and future risks, including the cost and quantity of the capital and the liquidity required, market trends and inflation.
- the need for consistency with the timing and likelihood of the Company receiving potential future revenues incorporated into current earnings.

12.7 Remuneration Components

Base Salary is a critical component in attracting and retaining high quality people in all salaried roles.

Benefits: the Bank provides a range of benefits including enhanced maternity and paternity leave, subsidised health insurance, voluntary dental and death in service schemes and complies with statutory guidelines to provide a pension scheme to all employees. Other incentives include complimentary meditation classes, subsidised food and drink, an employee assistance programme and a cycle to work scheme. The Company also provides flexible salary sacrifice benefits related to Workplace Nursery Schemes and Electric Cars.

Guaranteed bonuses: are awarded on an exceptional basis: 1) it occurs in the context of incentivising recruitment of code staff 2) it is limited to the first year of service (typically where new hires are forgoing any cash compensation); and 3) the firm has a strong and sound capital base.

Variable remuneration (cash bonus immediate and deferred) is discretionary, risk-adjusted and based on a combination of Bank and individual performance. A performance bonus pool is accrued annually at a level proposed by the CEO, after consulting with the CPO, CFO and CRO, and approved by the Board Remuneration and Nomination Committee. Key business performance indicators measured include a) business growth, b) profitability and c) credit losses. Bonuses will be based on both overall Bank risk-adjusted performance and individual performance. The maximum variable remuneration including bonus percentage has been fixed at an amount equivalent to 100% of base salary for all Code Staff.

Employee Shareholder Share ("ESS") and Share Option Plan schemes: help incentivise the achievement of the Bank's long-term objectives i.e., by aligning executive and shareholder interests and by retaining key individuals. A select group of key employees will be issued a new class of restricted shares in OakNorth Holdings Limited. Other employees may alternatively or in addition to the restricted shares, be granted employee stock options in OakNorth Holdings Limited. The ESS / Share Option schemes aim to encourage staff to display the correct behaviour, live the OakNorth values, and drive performance by aligning commercial interests to those of shareholders. During Q1-2023, the OakNorth Holdings Limited completed a buy-back exercise under the ESS plan, providing some liquidity to the eligible employees.

12.8 Remuneration for Code Staff

The following table below shows total fixed and variable remuneration awarded to Code staff in respect of the performance year 2023.

Number of Code Staff: 26

Remuneration Type	2023 Payments £'000		
	Executive Directors (3)	Non-Executive Directors (5)	Code Staff (29)
Total Fixed remuneration			
- Cash-based	4,009	643	5,466
- Shares/Share based	1	–	7
Total Variable remuneration paid in 2023			
- Cash-based	173	–	1,232
- Shares/Share based	–	–	–
Total Deferred remuneration paid in 2023			
- Cash-based (# of individuals)	–	–	571 (9)
- Shares/Share based	–	–	–
Pension and Insurance	2	–	120
Severance Payments	–	–	–
Total Deferred Remuneration outstanding as at the end of 2023*			
Cash-based	263	–	1,391
Shares	1	–	7
Total Remuneration in 2023	**4,449**	**643**	**8,795**

*All outstanding remuneration is subject to ongoing business conditions such as performance, clawback or if the employee leaves the company.

The table below shows the amount of severance and guaranteed variable remuneration payments made to Code Staff during the financial year ended 31 December 2023, as well as any individuals remunerated over €1m.

Severance payments made during 2023 (£'000)	88
Guaranteed variable remuneration (sign on awards made during 2023)* (£'000)	75
Individuals remunerated over €1m	3

*Does not include remuneration which was awarded to employees but will not be paid as the payment conditions are not satisfied by the awardee.

OakNorth

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OakNorth Bank Plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
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