

# farmen

## PILLAR 3

### DISCLOSURES

31 December 2025



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# 1. Overview

## Introduction

This document contains the annual Pillar 3 disclosures of Tandem Money Limited and its subsidiaries (the 'Group', 'Tandem') for the year ended 31 December 2025, as required under the rules of the Prudential Regulation Authority ('PRA') prescribed in the Disclosure (CRR) part of the PRA Rulebook ('Disclosure part') for Capital Requirements Regulation ('CRR') firms.

## Scope

The form and content of the Pillar 3 disclosures is prescribed by the Disclosure part, depending on size criteria set out in the CRR. Tandem considers its position against these criteria on an annual basis when completing its Pillar 3 document.

The Group meets the criteria to be a 'small, non-complex' firm for the years ended 31 December 2023, 2024 and 2025, and so qualifies under Article 433b (3) of the Disclosure part for the reduced Pillar 3 qualitative and quantitative disclosure requirements set out in Article 433b (1) of the Disclosure part as it stood immediately before 1 January 2024, with the modification in Article 433b (4).

Under Article 433b (4) of the Disclosure part, no disclosures relating to remuneration or remuneration policy are required for non-listed, 'small CRR' firms. Tandem is not listed and qualifies as a small CRR firm for the year ended 31 December 2025 and so has not included any remuneration disclosures in this Pillar 3 document.

The dispensations for reduced disclosures in Article 433b (3) and (4) applies to any periods ending on or before 30 June 2027.

Regulatory ratios are presented on a Group basis only. The same basis of consolidation is used for statutory accounting and regulatory reporting. This document is prepared in sterling which is the functional and reporting currency of the Group. Balance amounts are rounded to the nearest thousand.

No disclosures have been omitted based on materiality, confidentiality or proprietary. Specific rows and columns in the tables prescribed by the PRA have been omitted where these are not applicable to the Group. Additional information has been provided where this is necessary to provide a full understanding of the Group's position.

## Review and approval

The Pillar 3 disclosures are reviewed and approved by the Board following presentation by the Chief Financial Officer ('CFO'). The CFO attests that the disclosures are made in accordance with the Group's Pillar 3 Policy and appropriate internal processes, systems and controls, including reviews by relevant senior management, and Executive and Board committees.

## Publication

The Pillar 3 Disclosures are published annually in line with the publication of the Annual Report and Financial Statements.

The Group's Pillar 3 Disclosures are made available through the corporate website ([www.tandem.co.uk](http://www.tandem.co.uk)).

## 2. Key Metrics

Key metrics table (UK KM1) relating to capital, leverage, and liquidity:

		31 Dec '25	31 Dec '24
		£'000	£'000
	<b>AVAILABLE OWN FUNDS</b>		
1	Common Equity Tier 1 (CET1) Capital	168,224	165,574
2	Tier 1 Capital	168,224	165,574
3	Total Capital	196,155	192,343
	<b>RISK-WEIGHTED EXPOSURE AMOUNTS (RWEA)</b>		
4	<b>Total Risk Weighted Assets</b>	1,083,333	951,607
	<b>CAPITAL RATIOS (as percentage of RWEA)</b>		
5	Common Equity Tier 1 Ratio (%)	15.53%	17.40%
6	Tier 1 Ratio (%)	15.53%	17.40%
7	Total Capital Ratio (%)	18.11%	20.21%
	<b>ADDITIONAL OWN FUNDS REQUIREMENTS BASED ON SREP<sup>1</sup> (as percentage of RWEA)</b>		
UK 7a	Additional CET1 SREP Requirements (%)	1.04%	1.04%
UK 7b	Additional AT1 SREP Requirements (%)	0.35%	0.35%
UK 7c	Additional T2 SREP Requirements (%)	0.46%	0.46%
UK 7d	Total SREP own funds requirements (%)	9.84%	9.84%
	<b>COMBINED BUFFER REQUIREMENT (as percentage of RWEA)</b>		
8	Capital Conservation Buffer (%)	2.50%	2.50%
9	Institution Specific Countercyclical Capital Buffer (%) <sup>2</sup>	1.96%	1.95%
11	Combined Buffer Requirement (%)	4.46%	4.45%
UK 11a	Overall Capital Requirement (%)	14.30%	14.29%
12	CET1 available after meeting total SREP Own Funds Requirements (%) <sup>3</sup>	9.99%	11.86% <sup>4</sup>
	<b>LEVERAGE RATIO</b>		
13	Total Exposure Measure excluding Claims on Central Banks	1,860,727	1,652,240
14	Leverage Ratio excluding Claims on Central Banks (%)	9.04%	10.02%
	<b>LIQUIDITY COVERAGE RATIO<sup>5</sup></b>		
15	Total High-Quality Liquid Assets (HQLA) (Weighted Value-Average)	1,148,813	1,927,554
UK 16a	Cash Outflows – Total Weighted Value	327,080	424,591
UK 16b	Cash Inflows – Total Weighted Value	68,928	64,311
16	Total Net Cash Outflows (Adjusted Value)	258,152	359,743
17	Liquidity Coverage Ratio (%)	443.40%	534.75%
	<b>NET STABLE FUNDING RATIO<sup>6</sup></b>		
18	Total Available Stable Funding	2,560,820	3,156,347
19	Total Required Stable Funding	1,320,668	1,199,958
20	NSFR Ratio (%)	194.30%	263.10%

The CET 1 and Total Capital Ratios decreased to 15.5% and 18.1% respectively (2024: 17.4% and 20.2%) but continued to exceed the Group's overall capital requirement of 14.3% (2024: 14.3%) and SREP own funds requirement of 9.8% (2024: 9.8%).

<sup>1</sup> Of which 56.25% of CET1 capital, 43.75% of AT1 capital and 25% of Tier 2 capital

<sup>2</sup> The UK Countercyclical Capital Buffer Rate increased in December 2022 from 0% to 1%, and to 2% in July 2023

<sup>3</sup> CET1 ratio less the minimum amount of CET1 required to meet the total SREP own funds requirement (56.25% of Pillar 1 and Pillar 2A capital requirements)

<sup>4</sup> 2024 ratio restated

<sup>5</sup> Calculated as average of monthly liquidity positions during 2025

<sup>6</sup> Calculated as average of quarterly NSFR positions during 2025

The decline in capital ratios is driven primarily by the increase in total risk weighted exposure amounts ('RWEAs') of £131.7m (2024: £20.0m) resulting from an increase loans and advances to customers and a change in mix on balance sheet towards unsecured products. Underlying lending RWEA growth in the year was offset by the Fylde 2025 second charge loan securitisation of £209m (2024: £268m), which was structured to obtain accounting derecognition of the underlying assets.

The Group remains outside the scope of the full UK Leverage Ratio Framework, which came into effect in January 2021. At 31 December 2025, the Group's leverage ratio was 9.0% (2024: 10.0%), significantly in excess of the UK Leverage Framework minimum requirement of 3.25%.

The Group's average Liquidity Coverage Ratio ('LCR') and average Net Stable Funding Ratio ('NSFR') over the 12 months to 31 December 2025 were 443.4% and 194.3% (2024: 534.8% and 263.1%), considerably ahead of the regulatory minimums. The decline in liquidity ratios is due to lower customer deposit balances compared to 2024 as funding was managed to align with overall balance sheet and margin requirements.

### 3. Risk Weighted Exposure Amounts

The Group adopts the Standardised approach for calculating its Pillar 1 own funds requirements for credit risk, operational risk and counterparty credit risk ('CCR') including credit valuation adjustment ('CVA'). Under the UK CRR, CCR is calculated using the Original Exposure Method ('OEM').

The Pillar 1 capital own funds requirements set a minimum capital resource requirement of 8% of RWEAs for credit, counterparty, operational and CVA risks.

The table (UK OV1) below shows risk weighted exposures amounts and total own funds requirements by risk type:

	Risk Weighted Exposure Amounts (RWEA)		Total Own Funds Requirements	
	31 Dec '25	31 Dec '24	31 Dec '25	
	£'000	£'000	£'000	
1	<b>Credit Risk (excluding CCR)</b>	<b>870,361</b>	786,363	<b>69,629</b>
2	Of which: Standardised Approach	<b>870,361</b>	786,363	<b>69,629</b>
6	<b>Counterparty Credit Risk (CCR)</b>	<b>6,519</b>	4,759	<b>522</b>
7	Of which: OEM	<b>3,508</b>	1,479	<b>281</b>
UK 8b	Of which: Credit Valuation Adjustment (CVA)	<b>3,011</b>	3,281	<b>241</b>
16	<b>Securitisation exposures in the non-trading book (after the cap)</b>	<b>42,004</b>	29,907	<b>3,360</b>
19	Of which SEC-SA approach	<b>42,004</b>	29,907	<b>3,360</b>
23	<b>Operational Risk</b>	<b>164,449</b>	130,578	<b>13,156</b>
UK 23a	Of which: Basic Indicator Approach	<b>164,449</b>	130,578	<b>13,156</b>
	<b>TOTAL</b>	<b>1,083,333</b>	951,607	<b>86,667</b>

Total RWEAs increased by £131.7m (2024: £20.0m increase) and the overall capital requirement (8%) increased by £10.5m (2024: £1.6m increase) as set out in section 2 above. The Credit Risk exposure has increased due to the organic growth of loans and advances to customers. The CCR exposure arises due to the use of derivative hedging contracts to manage interest rate risk.

The Group holds capital against operational risk under the Basic Indicator Approach, which is based on the average of the Group's income over the past three years. At 31 December 2025, the amount of capital held against operational risk increased by £2.7m to £13.2m (2024: increased £1.9m to £10.4m) as a result of the organic business growth across the Group.

## 4. Risk Management

Effective risk management is a key element of the Group's sustainable performance, overall value creation and its long-term success.

Tandem established an Enterprise-wide Risk Management Framework ('RMF') in 2023 to support the Group's strategy and business plan. The RMF ensures that the Group's risk management is tailored to the size, nature, complexity and strategy of the Group through appropriate governance, policies, risk objectives, risk appetite, risk identification processes, and operating models.

Throughout 2024 and 2025, Tandem made significant progress in embedding the RMF and capability. This has included improvements in the implementation of the frameworks and policies across the risk disciplines including managing credit risk, financial crime risk and climate risk. Tandem will continue to embed, review, refine and evolve its approach to risk management in recognition of changes in the scope and scale of the business, and in line with the changing regulatory landscape.

The Board considers that as at 31 December 2025 it had in place adequate systems and controls with regards to Tandem's risk profile and strategy. Whilst risk cannot be eliminated, the Board is satisfied that the systems of internal control embedded within the Group have worked effectively during the last financial year to identify, monitor, manage and control relevant risks.

### Risk Governance and Oversight

The Tandem Board, as the governing body of Tandem Money Limited and its underlying entities, is responsible for ensuring that effective systems and controls are in place to manage risks and for exercising oversight to ensure that these are effective over time. The Board delegates authority for day-to-day risk management to Senior Management, and exercises oversight of these arrangements through appropriate systems of governance and reporting.

The Board operates a Risk Committee comprising Independent Non-Executive Directors. The role of the Risk Committee is to support the Board in the oversight of risk management systems and controls and the monitoring of Tandem's Risk Profile relative to the Board-approved Risk Appetite.

Management operates an Executive Risk Committee ('ERC') responsible for the monitoring and management of the Group's risk management arrangements and practices, including oversight of principal risk types against Risk Appetite and in line with the Group's RMF. The ERC recommends matters to the Board Risk Committee, where appropriate.

The Chief Risk Officer ('CRO') is responsible for overseeing the RMF on behalf of the Board, and reports to the Chief Executive Officer. The CRO is also provided with unfettered access to the Chair of the Board and the Chair of the Board Risk Committee.

### Risk Strategy and Culture

The Board has set five strategic risk objectives:

1. Good customer outcomes at the heart of everything we do;
2. Support business strategy through independent advice and challenge to facilitate a sustainable business model;
3. A positive risk aware culture throughout the Group;
4. Support stakeholder and regulatory confidence;
5. Create a control environment fit for the current business requirements and future ambitions.

Tandem's Risk Appetite and RMF, as summarised below, ensure that Tandem always adheres to these objectives in delivering the Board strategy and business plan. The Board are committed to promoting a risk aware culture, where appropriate decision making and behaviours are modelled by the Board of Directors and Senior Management and thereby sets the standard, "Tone from the Top", across the organisation.

Tandem's risk culture is supported by the Tandem's Conduct Risk Framework, which supports and enables the management of risks, the realisation of good customer outcomes, and ongoing compliance with all regulatory and legal requirements. The Board and Senior Management encourage a culture of transparency and openness to ensure that issues are escalated promptly, where required. The Chair of the Audit Committee is the appointed Whistleblower Champion, with the Money Laundering Reporting Officer assigned as the point of contact on whistleblowing matters.

## Risk Management Framework

The Board-approved Group RMF outlines Tandem’s approach to risk management and how the key risk exposures of the Group are identified, assessed and managed, ensuring that risk exposure does not exceed Risk Appetite.

The framework is periodically reviewed, updated and approved by the Board to reflect any changes to the business, its external environment, and regulations, law, corporate governance and industry best practice.

## Risk Appetite

The Board-approved Risk Appetite defines the type and level of risks that the Group is prepared to manage in pursuit of its strategic objectives, both under normal and stressed business conditions.

Risk appetite is expressed within the Consolidated Statement of Risk Appetite, which comprises tolerances for managing each of the principal risk types with a limit structure in place to ensure delivery against appetite.

## Three Lines of Defence

Tandem’s approach to risk management follows industry practice of the ‘Three Lines of Defence’ model:

**First line of defence** represents all business units, including the core business units and operational functions, which are all individually responsible for understanding and managing the risks in their respective areas. It contains all staff responsible for identifying and managing risk, as part of their accountability for achieving their objectives.

**Second line of defence** comprises the central and independent Risk and Compliance Function, led by the CRO. The function provides independent oversight and challenge of the first line of defence, the frameworks, tools and techniques to enable risk and compliance to be managed in the first line. It also conducts monitoring to judge how effectively the first line are operating, and helps to ensure consistency of definitions and measurement of risk across the Group.

**Third line of defence** is provided by the internal audit function. This sits outside of the risk management processes of the first and second line, with its main role being to ensure that the first two lines are operating effectively. Tasked by (and reporting to) the Audit Committee, it provides an evaluation on the effectiveness of governance, risk management and internal controls to the Board and Senior Management.

## Stress Testing

Stress testing is an important risk management tool to assist the Board’s understanding of the key risks, scenarios and sensitivities that may adversely impact the financial or operational position of the Group. Stress-testing is integrated in the Group’s annual assessments, including the Internal Capital Adequacy Assessment Process (‘ICAAP’), Internal Liquidity Adequacy Assessment Process (‘ILAAP’) and the Recovery and Solvent Exit Plan (‘RP’).

The Board reviews and approves the ICAAP, ILAAP and the RP in line with regulatory expectations, and maintains a Stress testing Policy, which is subject to regular review.

## Key Risk Management Ratios

The Group monitors its risk profile through the use of key metrics, including:

- CET 1 ratio;
- Total capital ratio;
- Leverage ratio;
- Liquidity Coverage ratio;
- Net Stable Funding ratio;
- Operational risk losses;
- Levels of non-performing assets; and
- Measures of interest rate risk in the banking book (‘IRRBB’).

Further details of the performance of the Group can be found in the Tandem Money Limited financial statements, which are available through the corporate website ([www.tandem.co.uk](http://www.tandem.co.uk)).

## Material Intragroup Transactions

There were no related party or intragroup transactions materially impacting the risk profile of the consolidated Group as at 31 December 2025.

## Principal Risks

The Group, in the execution of its strategy, is exposed to risks. The principal risks set out below represent the overarching risks that the Group faces which could materially impact the achievement of its strategic objectives. The Directors are satisfied that there are reasonable systems and controls in place to manage risks and for exercising oversight.

Principal Risk	Definition	Principal Source of Exposure	Key Mitigation Actions
<b>Capital Risk</b>	Risk that Tandem's capital resources are inadequate in relation to its assets, current liabilities and regulatory expectations, bearing no or limited capacity to absorb unexpected losses.	Tandem holds capital against any risk it is or might be exposed to in pursuit of its corporate objectives.	Ongoing monitoring of capital resources and comprehensive assessment of capital requirements through the ICAAP, business plan and scenario analysis.
<b>Credit Risk</b>	Risk of financial losses to the Group resulting from borrower or counterparty failure to repay a debt or meet their contractual obligation.	The Group faces this risk from lending to customers in either its secured or unsecured lending portfolios and through transacting with wholesale counterparties for the purposes of treasury management.	Credit policies, incorporating prudent lending, collection and underwriting criteria, and ongoing portfolio management, monitoring and stress testing of credit risk exposures.
<b>Liquidity &amp; Funding Risk</b>	Risk that the Group is unable to meet its obligations as they are expected to fall due or can do so only at exceptional cost.	Tandem faces this risk in the management of its liquidity and funding portfolios.	Ongoing management and monitoring of liquidity resources and comprehensive assessment as part of the ILAAP.
<b>Market Risk</b>	Risk of losses arising from adverse movements in market prices.	Market risk arises in the form of interest rate risk management of operational, financing and investment activities.	Ongoing management and monitoring of interest rate movements and their impact on the balance sheet and profitability, and comprehensive assessment as part of the ICAAP.
<b>Operational Risk</b>	Risk of losses or impact on customers, reputation or resilience, resulting from inadequate or failed procedures, systems and controls, including those resulting from disruption or damage to technology, poor implementation of software or cyber / data breaches.	Tandem faces this risk in the day-to-day management of legal and regulatory activities, people, information security, cyber, IT, transformation, business continuity, data, financial crime and financial reporting risks.	Regular assessment and updating of Risk and Control Self Assessments, and ongoing implementation of Incident and Event Management and Action Management processes. Operational Risk scenarios are also subject to comprehensive assessment as part of the ICAAP.
<b>Business Model Risk</b>	Risk that the business strategy is unachievable, due to errors in underlying assumptions, changes in the external environment and / or inadequate financial resources.	Tandem faces business risk from revenue volatility due to factors including macroeconomic conditions, inflexible cost base, competitors with lower cost bases and / or innovative customer propositions, and failure to respond effectively to changes in customer behaviour.	Board approved strategy and business plan, embedded through appropriate operational plans and management communication and monitored via KPIs, reporting and management information ('MI').
<b>Climate Risk</b>	Risk that changes in climate conditions, or adjustments to support the transition to a low-carbon economy, will impact Tandem's ability to achieve its business plan or strategy and / or affect the value of Tandem's assets or liabilities.	Tandem is exposed to Climate Risk through physical, transition or greenwashing risks for the Group.	Board approved strategy focused on transition to a lower carbon lifestyle, supported by Board approved Climate Risk management framework, utilising the principal of identify, assess, monitor, and report.

## Principal Risks (continued)

Principal Risk	Definition	Principal Source of Exposure	Key Mitigation Actions
<b>Conduct, Compliance and Financial Crime Risk</b>	Risk of detriment to customers, markets or Tandem due to inappropriate, negligent or wilful misconduct, financial crime and / or failure to comply with applicable laws, regulations, principles and standards, (including second order losses relating to conduct failures of retail partners).	As a PRA and FCA regulated institution that is entrusted to help consumers reach their financial objectives, the way in which Tandem offers its products and services, and conducts and controls its business, can give rise to Conduct, Compliance and Financial Crime Risks.	Implementation of appropriate policies, processes, systems, and controls, that are subject to ongoing challenge, assurance and review, including appropriate reporting and management information up to and including the Board.

## Key & Emerging Risks

Management and the Board additionally focused on several key themes through 2025, with a view to ensuring a strong and robust but also proportionate risk framework for the business as it grows.

Key & Emerging Risks	Rationale	Key Mitigations
<b>Macroeconomic Risk</b>	Macroeconomic conditions remained challenging given uncertainties over growth, inflation and interest rates, and ongoing geopolitical tensions.	Oversight and monitoring of actual and forecasted impacts across Tandem's loan exposures and operations, including risk modelling and collection policy and process enhancements.
<b>Cyber Risk</b>	The risk of cybercrime continues to remain heightened in the financial sector.	Ongoing and continuous enhancements to the Group-wide cybersecurity framework in light of an evolving threat landscape.
<b>Regulatory Risk</b>	<p>Changing legislation, regulation, policies, and their interpretations in the markets in which Tandem operates has the potential for significant impact on the Group's operations, business prospects, structure, costs, financial resource requirements, and ability to enforce contractual obligations.</p> <p>Expected changes to the UK's prudential framework (e.g. Basel 3.1 and Small Domestic Deposit Taker regime) are likely to lead to changes in Tandem's financial resource requirements in the future.</p> <p>The Group is impacted by the FCA's Motor Finance commission redress scheme which came into effect on 31 March 2026 following the consultation on the FCA's proposals which were released on 7 October 2025.</p>	<p>Maintained focus on these horizon risks, both in terms of changing landscape and changes to Tandem's business and associated impacts within the regulatory / legal context, including through ongoing engagement with the Group's regulators.</p> <p>In relation to the Motor Finance commissions redress scheme, the Group is not required to issue final responses to affected complaints until after 30 June 2026. Complaints will continue to be handled in accordance with FCA requirements and prescribed timelines, with outcomes communicated in line with the FCA's redress framework. Further information is available on the FCA's website.</p> <p>The Board has worked closely with management to ensure Tandem's response to the scheme is transparent, customer-focused, and aligned with regulatory requirements. We take our responsibilities to customers seriously and are satisfied that appropriate governance, controls, and processes are in place to meet the requirements of the scheme.</p>